TAXAND

Summary of measures announced in response to the spread of Covid-19

21/05/2020

Your global tax partner

The information contained in this summary is for general guidance only. The application and impact of laws can vary widely based on the specific facts involved.

Accordingly, the content of this summary is provided for information purposes. As such, it should not be used as a substitute for consultations with professional tax, legal or other competent advisers.

Given the current context, there may be delays, omissions or inaccuracies in the information contained in this summary. For updated developments regarding the measures implemented in each country, please refer directly to our local firms' websites and governmental official websites.

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Further Taxand publications relating to COVID-19 include:

- **Indirect tax specific measures>**
- **Compensation tax specific measures>**

In response to the spread of the Covid-19 virus, various business support measures have been put in place by many states.

The purpose of this document is to present a brief summary of the measures announced to date by the public authorities in the affected countries.

1. ARGENTINA *(UPDATED 21.05.20)*

1.1. Tax measures

- **Reduction in tax rates on Debits and Credits**

The Federal Government has reduced Debits and Credits Tax on Bank Accounts rates for transactions carried out by employers of institutions and establishments related with specific activities regarding healthcare. Such tax rate reduction has a 90 day duration.

- **Extension of deadlines for administrative proceedings**

The Federal Government enacted a Decree that suspends the course of terms for all administrative proceedings until April 12th 2020, except for those proceedings related to the national public health emergency. This regulation does not apply to the filing of tax returns or payments of taxes.

- **Extension of specific deadlines in Personal Assets Tax ("PAT")**

The repatriation regime under PAT seeks to reduce tax rates when a taxpayer repatriates a portion of a specific type of assets (mainly financial assets and foreign currency) held abroad. In this context, the Federal Government extended the deadlines for the repatriation of assets located abroad until April 30th 2020 inclusively, to the effects of reducing the tax rate imposed by PAT on assets located abroad for tax period 2019.

Deadlines for additional advance payments for PAT related to assets hold abroad are extended until May 6th 2020.

- **Extension of deadlines for applying to special regime of payment for micro, small and medium size companies ("MIPYMES").**

The Federal Government and the Federal Tax Administration ("AFIP") extended until June 30th 2020 specific deadlines regarding the application to benefits in instalments and advance payments applicable to MIPYMES for moratoriums related to obligations expired on November 30th 2019.

- **Extension of deadlines and specific payment facilities in Income Tax ("IT")**

AFIP extended the deadline for filing IT tax returns and payments corresponding to tax period 2019 for corporations (with year end at December 2019) until May 26th and May 27th. Exact date of deadline depends on the tax identification number of the taxpayer.

Corporations are allowed to split IT payments in three instalments by making an advance payment of 25%. This regime is operative until June 20th.

The deadline for the presentation of balance sheets and documentation for corporations with year end at November 2019 has been extended until June 30th.

AFIP also extended the deadline to file tax returns related to transfer pricing rules. The presentation of the information required by such regime for the period between December 31st 2018 and September 30th 2019, both inclusively, has been delayed to the period between May 18th and May 22nd 2020.

Such organism has also extended the deadline for the presentation of communications in relation to the benefits offered by the free-of-tax reorganization regime for corporations and other legal structures.

- **Extension of deadlines in Value Added Tax ("VAT")**

AFIP extended the deadline for filing VAT tax returns and payments for tax period April 2020 until May 20th May 21st and May 22nd (exact deadline depends on the tax identification number of the taxpayer).

- **Extension of deadlines for tax return filing and payment of social security contributions**

AFIP extended the deadlines for filing tax returns and paying social security contributions until May 18th, May 19th and May 20th. Exact date of deadline depends on the tax identification number of the taxpayer.

1.2. Social measures

- **Emergency Assistance to Work and Production Program**

Under this program the Federal Government commits to pay for a percentage of the employee´s remuneration and/or reduce or extend the deadlines for social security contributions. Such program shall apply to the private sector that are able to demonstrate certain specific conditions. The program also offers free-of-interest loans for small taxpayers and autonomous workers that meet particular requirements.

- **Suspension of concurrency to workplace duty**

Employees subject to Obligatory social isolation are not required to attend their workplace and may continue to work in remote work mode. This measure does not apply to services and activities considered as essential.

- **Suspension of residency procedures**

Admission applications related to residency (temporary and transitory) processes and online electronic travel authorizations were suspended temporarily. Residencies that had already been granted were extended. Such extension will depend on the type of residency granted.

- **Information regime for employers regarding remote work modalities**

National Occupational Risks Superintendence imposed an information regime for Employers that enable their employees to perform their work remotely. Employers must inform the Occupational Risk Insurer relevant information about the workers affected such as name, ta identification number, location of remote work, between others.

- **Prohibition of dismissals and suspensions**

The Federal Government Prohibited dismissals without cause and dismissals or suspensions based on diminution of work load or force majeure, except certain specific cases. The prohibition has an extension of 60 days and has been in force since 31 March 2020.

- **Emergency economic aid for families**

The Federal Government will pay a onetime economic aid for the unemployed, informally employed, autonomous taxpayers and workers that are able to prove certain specific conditions.

- **Prohibition of suspension of essential services**

The Federal Government prohibited electricity, gas, water, telephone, television and internet suppliers to suspend such services when customers fail to realize payments. This benefit applies only to a specific group of costumers (for example: pensioners, unemployed and MIPYMEs, among others).

- **Housing measures**

The Federal Government disposed the freezing of rent prices and instalments in mortgage loans, the suspension of foreclosures, the suspension of evictions and the extension of rent contracts terms for property devoted to housing and other specific types or properties.

For updated information please contact your Taxand team in Argentina at https://www.bruchou.com

2. AUSTRIA *(UPDATED 23.04.20)*

With the aim of protecting the national economy, the Austrian government has put together a EUR 38 billion aid package, which shall mitigate negative consequences arising from the Corona-crisis. The package contains legal as well tax-related measures.

2.1. Tax measures

(Corporate) income tax

The Austrian Ministry of Finance has issued number of decrees dealing with tax-related support actions. The latter shall help to bridge the time of liquidity shortage and to avoid insolvency cases. Among others, advance payments on corporate income tax and income tax for 2020 can be reduced in part or in total if the taxpayer is in the position to prove negative income consequences arising from COVID-19.

In addition, the payment of taxes can be, upon request, deferred or made in instalments until 30 September 2020. In this regard, the tax authority will refrain from interest assessment provided however that the taxpayer can substantiate that he has faced (acute) liquidity shortage.

In the end, the deadline for submission of the annual tax returns for 2018 for (corporate) income tax and the VAT hast been extended until 31 August 2020.

The Austrian government has approved several state aid measures for Austrian taxpayers in order to cope with the COVID-19 pandemic. Such payments, e.g. from the COVID-19-crisis management fund, shall be tax exempt.

The list of current tax optimization measures, which might become recommendable, among others include profit and loss shifting or tax restructuring measures. Potential tax advantages might result from the implementation of the group tax regime or consolidation (e.g. merger) of profitable and loss-making units.

Value added tax

There are, however, no changes with respect to the obligation of the taxpayer to submitting monthly or quarterly VAT returns such that legal obligations must be met in time. Subject to acute liquidity shortage, the payment of outstanding VAT amounts can be, however, deferred without interest or the taxpayer can apply for payment in instalments. Either measure is limited in time, i.e. until 30 September 2020.

In case of overdue receivables, which cannot be settled by reasons of (acute) liquidity problems or can be settled in part only, the taxpayer is not considered as eligible for a refund of the corresponding VAT amounts declared and paid to tax authorities. Accordingly, there is no necessity for the recipient of goods or services to correct the input VAT deduction claimed from his tax office in charge. Either correction requires that the claim of the supplier of goods or services become permanently, in part or in total, unrecoverable. In such a case, the supplier may declare a reduction of the VAT base and claim the corresponding VAT amounts back from tax authorities. In mirroring this right, the recipient of goods or services must correct and repay the input VAT deduction claimed on purchase of goods or consumption of services.

Customs duties

If customs deadlines cannot be, due to the Corona-crisis, observed, such deadlines can be, under certain conditions, considered as being complied with or the customs office can agree to deadline extension. The processing in of pandemic caused delays shall not entitle the customs office to any administrative charges.

In case of pandemic related reduction of reference amounts, the government package provides for the possibility of corresponding adjustments upon request.

Stamp duties

Austrian stamp duties are levied on certain legal transactions documented by deed. The rates vary between 0.8% and 2%; some stamp duties are levied as a fixed amount. With effect from 4 April 2020, legal transactions that are necessary for the implementation of COVID-19 related measures have become exempt from stamp duties. In fact, the exemption covers guarantees which shall ensure the liquidity of companies.

Social security contributions

In case of lock down of business ordered by the authority and closing or limitation of business activities, the payment of social security contributions for February, March and April 2020 can be delayed automatically and without interest. Other businesses are eligible for payment deferral upon request only and must, in this context, prove that their liquidity has been (negatively) affected by the Corona-crisis.

Tax procedural issues

Just as for commercial law, the legislative package provides for an extension of certain deadlines as consequence of the extra-ordinary situation caused by the Corona pandemic. The extension applies to appeal and submission deadlines, which are in existence on 16 March 2020 or commence thereafter. Such deadlines have been stopped and shall start again on 1 May 2020.

The extension can be further applicable to administrative cases pending before the court and to tax criminal proceedings. With respect to the latter, the appeal and the objection periods have been stopped. For tax administrative proceedings, the period of limitation has been as well stopped.

Visits to the tax authorities have been limited to exceptional circumstances, which cannot be avoided by reasons of proper administration of justice. The same applies to court hearings and hearings at tax authorities, unless carried out via communication means.

Tax audits

Relief measures further apply in the context of tax audits and tax monitoring. In fact, tax audits and similar activities of the tax authorities have been stopped or postponed. The taxpayer may, however, contact the tax auditor or his tax office in order for the tax audit to be continued and finalized if necessary or requested.

Summary of major tax-related relief and simplification measures

- Advance payments on corporate income tax and income tax for 2020 can be reduced in part or in total.
- Payment of taxes can be, upon request, deferred or made in instalments until 30 September 2020.
- Relief from late payment penalties has been already fixed.
- Tax authority will refrain from late interest assessment provided that the taxpayer can substantiate that he has faced (acute) liquidity shortage.
- The deadline for submitting annual tax returns for 2019 has been moved to 31 August 2020.

- Periods for appeal, objection and submission as well as deadlines for appealing against measures which were available on 16 March 2020 or started in the period 16 March to 30 April shall be interrupted until 1 May 2020.
- No fees or federal administrative charges for the application for support services shall be levied.

2.2. Other measures

Short-time work

In order to reduce labour costs, the employer may temporarily apply a short-time working scheme for his employees. The scheme is aimed at reduction of the normal working hours instead of terminating the employment agreement. During this period, the employee is working and remunerated part-time by the employer. In addition, the employee is entitled to state subsidy, which is equivalent to unemployment benefits payable pro-rata for the number of reduced hours. The subsidy amount depends on the remuneration payable to the employee and ranges between 80 % and 90 % of the net salary as payable prior to the Corona-crisis. The subsidy shall be initially grated for a period of three months; it can be, however, extended for another three months.

The working hours can be eventually reduced to 10 % to 90 % of the normal working time and may, in certain times during the calculation period, amount to 0 %. The short-time working model excludes the possibility of the termination of the employment. In fact, the employment agreement must be maintained for the period of applying the short-time work scheme and for one additional month after its end. In addition, legal deadlines for legal actions related to the termination of the employment agreement or (premature) dismissal of employees have been suspended until 30 April 2020. The suspension equally applies in the context of discrimination-based termination or dismissal of the employment agreement.

Part-time employment agreements for older employees can be interrupted for the period between 15 March and 30 April 2020 provided, however, that the employment continues thereafter.

Civil law aspects

In general, there is no direct impact of the Corona-crisis on contractual agreements. In other words, rights and obligations must still be observed by the parties. In case of delay in conduction, the legal consequences depend on the contractual agreement and if part of the contract, general terms and conditions. For the 2005 SARS crisis, the Supreme Court of Justice, however, ruled that an epidemic or a pandemic shall constitute force majeure. If a contract, however, fails to provide for a force majeure clause the legal consequences for delay of conduction must be derived from the general rules, which would be applicable in the underlying case.

The Austrian legislator has introduced a relief for debtors: In case of default, the claim for late payment interest shall be limited to a maximum of 4% p.a. In addition, debtors shall be released from paying debt enforcement costs. The relief is, however, subject to the following requirements, which must be all met:

- the payment becomes due within the period of 1 April 2020 to 30 June 2020;
- the underlying agreement was concluded before 1 April 2020;
- the debtor’s credit rating has been negatively affected by the COVID-19 pandemic (e.g. a waiter or a tour guide whose employment has been terminated due to the lockdown of the restaurant or tourism business).

Commercial and company law

For management of corporations, partnerships, cooperative societies and associations as well as private foundations, the legislative package provides for the possibility to move shareholder meetings and board meetings to virtual platforms. In substance, virtual meetings shall have the same legal effect as physical meetings. In addition, the package extended the deadline for the shareholders' meeting from 9 to 12 months; accordingly, the corporation can call and hold the meeting until 31 December 2020. The extension applies even if the articles of association provide otherwise. However, the deadline extension does not apply to the SE and the SCE.

For statements submitted to the court in legal proceedings, the expiration of most deadlines has been stopped or extended such as e.g. the nine-month disclosure period for financial statements and the corresponding two-month deadline for the imposition of repeated penalties. The extension applies to deadlines, which have either existed on 22 March 2020 or been, subject to an extension, fixed between 22 March and 1 May 2020. In other words, the period of disclosure of financial statements to the Commercial Court has been prolonged for 40 days, i.e. until 9 November 2020 for financial years ending 31 December 2019.

Companies (regularly) distributing their profits to shareholders might face further changes resulting from the Corona-crisis. In fact, shareholders are obliged to refrain from the dividend and vote in favor of retaining profits if the company would not be, otherwise, in the position to meet its ongoing liquidity needs and would, thus, run a risk of credit rating downgrade.

Financial reporting

In general, the annual financial statements (including the consolidated financial statements, group management report and other accounting documents) must be submitted to the supervisory board within 5 months following the business year end. The deadline has been extended for another 4 months if the legal representative is unable to comply with the reporting obligation due to the COVID-19 pandemic (e.g. submission by 30 September 2020 for business year end 31 December 2019).

Further extension has been approved for the disclosure of financial statements to the commercial register, which must be, under normal circumstances, done within 9 months following the business year end. The extended period of 12 months also applies to the report of the supervisory board and the resolution on the distribution of profits.

The relief is, however, eligible only for companies, which were not under obligation to have the financial statements prepared by 16 March 2020 and in fact, applies only if the business year has ended on 30 October 2019 or later. The extension shall cease to apply on 31 December 2020 and may be, thus, applied to financial statements with a balance sheet date before 1 August 2020. Thus, a company with a balance sheet date of 31 July 2020 must prepare the financial statements before 30 April 2021 and comply with the disclosure obligation until 31 July 2021. The relief however applies only if the company is not able not meet the deadlines due to the COVID-19 pandemic.

If financial statements should have been prepared before 16 March 2020, the relief is not available. The disclosure period has been, however, extended by 40 days.

Use of electronic communication for public notaries

Under Austrian civil law rules, certain legal contracts must be, in order to become legally effective, concluded by means of a notarial deed or notarial certification; this requires a physical meeting with a notary public. In order to limit the spreading of the Coronavirus, it shall be now possible to perform the notarial act by means of electronic

communication. The latter must be a real-time communication including optical and acoustic two-way connection. This simplification applies until 31 December 2020.

Rental agreements

In general, legal consequences related to an official closing of business premises depend on the rental agreement. Where no explicit provision exists, the rent payable to the landlord is considered as capable of being reduced if the premises cannot be used due to a force majeure event, e.g. Corona-crisis. Such a situation is understood to exist if the business has been locked down according to a statutory order. By contrast, no reduction is, in general, eligible if the clients e.g. cancel their meetings or the use of business premises is limited in time and as consequence, the company faces loss in revenues.

Landlords are not allowed to terminate a rental agreement by means of a clearance action (*Räumungsklage*) if tenants are in default with respect to the rent payments for the period of 1 April 2020 to 30 June 2020. In order for the restriction to become applicable, the default must be caused by the COVID-19 pandemic. In addition, the landlord may not legally enforce a default payment for the period of 1 April 2020 to 30 June 2020 until 1 January 2021 and may not offset the defaulted amounts against the tenant's deposit.

Fixed-term rental agreements, which are subject to the Tenancy Law Act (*Mietrechtsgesetz*) must be generally concluded for a minimum period of 3 years. According to the relief granted by the law, rental agreements that expire or would have expired between 30 March 2020 and 1 July 2020 may be extended in writing until the end of 2020 or an earlier date (instead of the minimum term of 3 years).

Restructuring and optimization in the context of Corona-crisis

Restructuring measures can prevent negative legal consequences arising from the current situation. In particular, potentially high-risk business units can be spun off helping to limit the business liability or the liability of the shareholders.

Useful links

Austrian Federal Ministry of Finance's website: click here

Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protections' website: click here.

Austrian Parliament's website: click here.

For updated information please contact your Taxand team in Austria

3. AUSTRALIA *(UPDATED 07.05.20)*

The following is an overview of measures announced by the Australian Federal Government and various government agencies including the Australian Taxation Office (ATO) in response to the economic impact of COVID-19. To date, the Federal Government has announced A$320 billion in measures to support the Australian economy, representing 16.4% of annual GDP. Various Australian States and Territories have also announced their own measures in response to COVID-19.

3.1. Tax measures

On 23 March 2020, the Federal Government passed the *Coronavirus Economic Response Package Omnibus Bill 2020* (the Omnibus Bill) to give legislative effect to a A$189 billion economic support package aimed at assisting businesses and households deal with COVID-19. It amends existing legislation in order to provide businesses with tax concessions, enable cash flow payments and allow individuals affected by COVID-19 to access part of their superannuation funds. Details of the amendments, the eligibility criteria and the timing of concessions are outlined below.

Enhancing Instant Asset Write Offs

The Omnibus Bill gives effect to an increase in the existing instant asset write-off threshold and allows access for a broader range of businesses. Entities can now apply the instant write-off provisions for assets valued at up to A$150,000 which were acquired between 12 March 2020 and 30 June 2020. The eligibility for such write-offs has been expanded to include businesses with a turnover of up to A$500 million.

Accelerated Asset Depreciation

In addition to increasing the availability of instant asset write-offs, the Omnibus Bill enables accelerated asset depreciation deductions. The provisions apply to businesses with an annual turnover of less than A$500 million which acquire an asset between 12 March 2020 and 30 June 2021.

Under the scheme, businesses can depreciate an asset acquired during the relevant period by 50% of its cost. Where the business starts to hold the asset ready for use in an earlier year, the asset can be depreciated by 50% of its opening adjusted value for the current year. Some assets are excluded from this measure.

Australian Taxation Office administrative concessions

The ATO has announced a range of administrative concessions to assist businesses impacted by COVID-19. These relief measures will not be automatically applied and businesses must contact the ATO to discuss the specific options available to them. Measures potentially available to affected businesses include:

- deferring by up to six months the payment of liabilities due through business activity statements (including PAYG instalments), income tax assessments, fringe benefit tax assessments and excise duties; however, the ATO will not defer the obligations of large withholders unless:
    - an insolvency event is imminent;
    - the taxpayer can demonstrate that it cannot access other sources of funding (e.g. loan facilities, equity contribution or the realisation of liquid assets); and
    - the granting of the deferral would result in the taxpayer remaining a going concern;
- allowing businesses on a quarterly Goods and Services Tax (GST) reporting cycle to opt into monthly reporting to expedite access to GST refunds; once businesses elect to revert to monthly reporting, they must maintain this for 12 months before being able to revert back to quarterly reporting;
- allowing businesses to vary PAYG instalment amounts to nil for the March 2020 quarter and claim a refund for instalments paid for the September 2019 and December 2019 quarters;
- remitting any interest and penalties incurred after 23 January 2020, which have been applied to tax liabilities; and
- allowing businesses to enter into low interest payment plans to assist with existing and ongoing tax liabilities.

However, businesses will still be required to meet ongoing superannuation guarantee obligations for employees.

Treatment of foreign companies

The ATO has announced specific relief for foreign-incorporated companies that may be impacted by travel restrictions relating to COVID-19.

Generally, a foreign company may be considered by the ATO to have a taxable presence in Australia where:

- the foreign company has its central management and control in Australia; or
- it has a permanent establishment in Australia (e.g. a branch or employees working from a fixed place in Australia).

The ATO has indicated that it will not apply compliance resources to determine if the central management and control of a foreign company is in Australia if the only reason board meetings are being held in Australia is because of travel restrictions relating to COVID-19.

The ATO has also indicated that it will not treat a foreign company as having a permanent establishment in Australia solely because of the unplanned presence of employees in the short-term as a result of travel restrictions relating to COVID-19. Foreign employers will also not be required to register for PAYG Withholding (the mechanism for complying with withholding obligations relating to salaries and wages) if a non-resident employee is now working in Australia because of travel restrictions relating to COVID-19 and it is anticipated that they will leave before 30 June 2020.

In addition, COVID-19 may affect thin capitalisation calculations – for example, due to the impairment of assets or increased debt for liquidity purposes. In response, the ATO has stated that it will not apply compliance resources where the taxpayer applies the arm's length debt test because it was not able to rely on the safe harbour debt test, which it would have passed but for COVID-19 related balance sheet impacts. This concession is subject to various conditions being met. The ATO also encourages the selection of alternative valuation periods to smooth the impact of COVID-19 on balance sheets where wide variations have occurred throughout the year (in contrast to using only opening and closing balance sheet positions).

Businesses should seek specific advice if they expect their thin capitalisation position to be affected by COVID-19 or if they intend to increase cross-border related party debt generally.

State taxes

New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania and the Northern Territory have introduced various measures to defer, waive or discount payroll tax and, in some states, land tax liabilities.

3.2. Social measures (including HR Tax)

National COVID-19 Coordination Commission

On 25 March 2020, the National COVID-19 Coordination Commission (NCCC) was established to advise the Federal Government on anticipating and mitigating the effects of the global coronavirus COVID-19 pandemic. The NCCC is tasked with ensuring the Government receives comprehensive advice to meet the challenges related to the economic and social recovery from the coronavirus. It will advise and lead on private-to-private and public-to-private solutions that can unlock resources, break bottlenecks and address challenges for all Australians, including families, businesses and communities.

JobKeeper Payment

On 30 March 2020, the Federal Government announced the $130 billion JobKeeper Payment – a wage subsidy to employers of up to A$1,500 per fortnight per employee (before tax) for the period 1 March 2020 to 1 September 2020. The subsidy is also available for not-for-profit employers and sole traders. This is expected to assist many businesses in terms of liquidity and maintaining a connection with employees during the COVID-19 crisis.

At a high level, businesses with an annual revenue of under A$1 billion must show a shortfall in projected turnover, relative to a relevant comparison period, of at least 30% in order to be eligible. Those

that are expected to have an annual revenue of over A$1 billion must show a shortfall in projected turnover of at least 50%. Registered charities must show a shortfall in turnover of at least 15%.

The A$1 billion threshold is measured by reference to the total turnover of the business, its affiliates and entities that are connected with the business. Broadly, an entity is "connected with" another entity if either entity controls the other entity, or both entities are controlled by the same entity.

The decline in turnover test works by comparing the entity's projected turnover for GST purposes for a month or quarter (the turnover test period) with the GST turnover for the corresponding period in 2019. Where the Commissioner of Taxation is satisfied that there is no such period in 2019 or it is not an appropriate relevant comparison period, the Commissioner may, by legislative instrument, determine that an alternative decline in turnover test applies to a class of entities. The test only needs to be satisfied once to establish a business's eligibility. A business that does not qualify because it is not sufficiently affected can test for eligibility in later months.

The fortnightly payments are only available to eligible employers who have paid at least A$1,500 in salary and wages (or similar remuneration) to an eligible employee. Businesses can apply to the ATO for the payment in respect of each Australian resident employee who was employed at 1 March 2020, including casuals who have been with the employer for at least 12 months and employees who have been stood down since 1 March 2020. A business that participates in the JobKeeper scheme must ensure that all of its eligible employees (who have agreed to be nominated by the employer) are covered by the scheme. The payments will be available from the first week of May.

Businesses should seek specific advice regarding the eligibility conditions and the specific application of the JobKeeper scheme as they are developed further.

JobSeeker Coronavirus Supplement

Income support benefits for the unemployed (e.g. JobSeeker Payment, Youth Allowance and various other allowances) will include a temporary fortnightly A$550 Coronavirus Supplement from 27 April 2020 for individuals who are eligible. Eligibility for the JobSeeker Payment and Youth Allowance for job seekers has also temporarily been expanded to include a permanent employee who has been stood down or lost their job, contract or self-employed workers whose income has been reduced, and carers for those affected by COVID-19.a

Early release of superannuation

A person can apply to have a portion of their superannuation or retirement savings released on compassionate grounds if the person is:

- unemployed;
- already entitled to Jobseeker, parenting or special benefit payments under the *Social Security Act*;
- eligible for Youth Allowance or receives the Farm Household Allowance; or
- on or after 1 January 2020, the person was either made redundant or their hours were reduced by at least 20%, or in the case of sole traders, the person's business was suspended or suffered a reduction in turnover of at least 20%.

Two applications may be made under the above eligibility criteria, one for each of the financial years ending June 2020 and June 2021 respectively. However, applications may only be made within six months of this scheme being implemented.

Eligible individuals may receive payments of up to A$10,000 per determination, which are to be paid by the trustee of their superannuation fund as soon as practicable after receiving a written determination from the Regulator. No further application is to be required from the applicant.

Further discussion of the implications of the scheme for superannuation funds and their members can be found at the following link: https://corrs.com.au/insights/covid-19-and-early-access-to-super-what-it-means-for-superannuation-funds-and-their-members

Retail and commercial leases

On 7 April 2020, the National Cabinet on COVID-19 (comprising the leaders of the Federal, State and Territory Governments) agreed that states and territories would implement a mandatory Code of Conduct (the Code), which imposes a Rent Relief Policy for commercial tenancies (including retail, office and industrial) between owners/operators/other landlords and tenants, in circumstances where the

tenant is a small to medium enterprise (SME) (broadly, annual turnover of up to A$50 million) and is an eligible business for the purpose of the JobKeeper payment.

Under the Code, the parties to a lease must negotiate in good faith on a case-by-case basis. Landlords must offer tenants proportionate reductions in rent payable in the form of waivers and deferrals in proportion to the decline in the tenant's turnover during the pandemic period and a subsequent reasonable recovery period. Rental waivers must constitute at least half of the total reduction in rent payable over the pandemic period. Repayment of any deferred rent by a tenant must be amortised over at least 24 months or the balance of the lease term, whichever is greater.

Parties that cannot come to an agreement will be referred to a binding mediation process. Failure to comply with the Code will result in forfeiture of the party's rights under the lease.

The Code also imposes a moratorium on evictions for commercial and residential tenancies in financial distress who are unable to meet their commitments during the pandemic period and a subsequent reasonable recovery period.

Free childcare

On 2 April 2020, the Federal Government announced the new Early Childhood Education and Care Relief Package. From Monday 6 April 2020, weekly payments will be made directly to early childhood education and care services in lieu of the Child Care Subsidy and the Additional Child Care Subsidy, to help them keep their businesses open and employees in their jobs. Payments will be made until 28 June 2020 and families will not be charged fees during this time.

3.3. Financial measures

Reserve Bank of Australia

On 19 March 2020, Australia's central bank, the Reserve Bank of Australia (RBA), announced a support package for the economy that included:

- reducing the cash interest rate to a record low 0.25% until progress towards full employment is made and the RBA becomes confident that inflation will remain between 2-3%; and
- providing a three-year $90 billion funding facility to banks at a fixed rate of 0.25%; authorised deposit-taking institutions (ADIs) will be able to access initial funding of up to 3% of their existing credit and will be entitled to access greater funds if they increase business lending, particularly SMEs.

Cash Flow Assistance for SMEs

On 23 March 2020, the Federal Government passed the *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Bill 2020*, which provides cash flow assistance payments for SMEs. Broadly, businesses are eligible for cash flow assistance if they:

- have an annual turnover of up to A$50 million;
- operated during the 2018-19 financial year and had reported such operations to the Commissioner for GST purposes before 12 March 2020; and
- made payments of wages, salary or similar remuneration that are subject to withholding obligations.

Registered not-for-profits or charities are also eligible for cash flow assistance.

The measure enables the Commissioner to make two cash flow boost components to eligible entities:

- the first component will cover period from March to June 2020; and
- the second component will cover the period June to September 2020.

Broadly, the amount of each payment is intended to approximate the amounts withheld by the entity from wages, salary or similar remuneration during the first period. All entities are entitled to a minimum of A$10,000 for each component regardless of how much was withheld during the relevant periods. However, each component is capped at A$50,000 – that is, a maximum cash flow assistance of A$100,000.

The exact timing and calculation of the payments will depend on the size of the business and how they normally report for amounts withheld from the payment of salaries and wages.

Generally, the payments are not subject to tax and will be applied to reduce existing tax liabilities of the business. However, where the payment exceeds any liabilities, the Commissioner has the discretion to refund the amounts.

Guarantee of Lending to Small and Medium Enterprises

On 23 March 2020, the Federal Government passed the *Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Bill 2020* to enable the Federal Government to guarantee loans to SMEs. Under this measure, the Federal Government may provide a guarantee to a financial institution for a loan to be made to an SME.

The Consolidated Revenue Fund is to be appropriated to meet any liabilities arising under this measure, capped at a total value of A$20 billion.

The granting of a guarantee is limited to circumstances where the Minister is satisfied that the guarantee will assist in dealing with the economic impacts of Covid-19 and the loan is to be made by a financial institution that is a constitutional corporation. The financial institution may be either an ADI or a non-ADI as defined by the *Banking Act 1959*.

The legislation does not define what constitutes an SME for the purposes of eligibility, but provides scope for the Minister to enact legislative rules setting out more detailed requirements at a later date.

Increased Flexibility in the Corporations Act

The Omnibus Bill amends the *Corporations Act* to grant the Minister powers to exempt the operation of certain provisions in circumstances where the person has been economically impacted by COVID-19.

Relief for Financially Distressed Individuals and Businesses

The Omnibus Bill also amends the *Bankruptcy Act* and the *Corporations Act* to provide temporary relief to individuals and businesses placed in financial distress as a result of COVID-19.

Changes to Australia's foreign investment review framework

From 29 March 2020, proposed foreign investments into Australia which previously did not require Foreign Investment Review Board (FIRB) approval because the value of the transaction or target was below an applicable monetary threshold will now require FIRB approval, regardless of the nature of the foreign investor. The timeframe for FIRB to review applications will also be extended from 30 days to up to six months. Where a transaction is genuinely urgent, parties will need to clearly demonstrate benefits for Australian business and Australian jobs.

Transactions which are exempt from approval under the *Foreign Acquisitions and Takeovers Act 1975* (other than due to being below an applicable monetary threshold) are still expected to be exempt. In particular, private foreign investors may not require approval for acquisitions of less than 20 per cent in a publicly-listed entity.

Common transactions which may now require approval include:

- acquisitions of interests in Australian real estate, regardless of value or type, including investments in funds or entities which directly or indirectly hold Australian real estate;
- entry into property leases with a term which is reasonably expected to exceed five years;
- acquisitions of interests of 20% or more in Australian entities, regardless of value, including M&A transactions and equity capital raising transactions;
- corporate restructures of foreign-owned groups with Australian assets; and
- acquisitions of interests in agribusiness, media businesses and the financial sector.

Consistent with current screening processes, the type of conditions which will be imposed on applications would be determined on a case-by-case basis and will be applied to address a specific risk to the national interest. The impact on employment and the community is one of the national interest factors which are taken into account when screening applications.

Investors should seek advice before entering into proposed transactions as the amending regulations are still being drafted.

Assistance for severely affected regions and sectors

The Federal Government has also set aside an initial $1 billion allocation to support those regions and communities that have been disproportionately affected by the economic impacts of COVID-19, including those heavily reliant on industries such as tourism, agriculture and education.

Useful links:

- Australian Federal Government Covid-19 homepage: https://www.australia.gov.au/
- Australian Federal Government Covid-19 business information homepage: https://www.business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-forq-business
- *Coronavirus Economic Response Package Omnibus Bill 2020:* https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2Fr6521%22
- *Coronavirus Economic Response Package Omnibus Bill (Measures No 2) Bill 2020:* https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2Fr6535%22
- JobSeeker payment legislation *(Coronavirus Economic Response Package (Payments and Benefits) Bill 2020)*: https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fbillhome%2Fr6533%22
- JobSeeker payment legislative instrument *(Coronavirus Economic Response Package (Payments and Benefits) Rules 2020)*: https://www.legislation.gov.au/Details/F2020L00419
- JobSeeker payment legislative instrument *(Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 1) 2020)*: https://www.legislation.gov.au/Details/F2020L00479
- JobSeeker payment legislative instrument *(Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 2) 2020)*: https://www.legislation.gov.au/Details/F2020L00546
- JobSeeker payment legislative instrument *(Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020)*: https://www.legislation.gov.au/Details/F2020L00461
- Jobseeker payment fact sheets: https://treasury.gov.au/coronavirus/jobkeeper
- ATO COVID-19 homepage: https://www.ato.gov.au/General/COVID-19/
- ATO COVID-19 homepage for individuals and employees: https://www.ato.gov.au/General/COVID-19/Support-for-individuals-and-employees/
- ATO COVID-19 homepage for businesses and employers: https://www.ato.gov.au/General/COVID-19/Support-for-businesses-and-employers/
- Additional ATO support for COVID-19: https://www.ato.gov.au/General/COVID-19/Additional-support-during-COVID-19/
- ATO international business frequently asked questions relating to COVID-19: https://www.ato.gov.au/General/COVID-19/COVID-19-frequently-asked-questions/International-business-frequently-asked-questions/
- Mandatory Code of Conduct for Commercial Leases: https://www.pm.gov.au/sites/default/files/files/national-cabinet-mandatory-code-ofconduct-sme-commercial-leasing-principles.pdf
- FIRB announcement on temporary changes to the foreign investment framework: https://firb.gov.au/about-firb/news/changes-foreign-investment-framework-0 https://firb.gov.au/qa-temporary-changes-foreign-investment-framework

For updated information please contact your Taxand team in Australia at https://corrs.com.au/

4. BELGIUM *(UPDATED 21.05.20)*

The federal and regional governments in Belgium have issued various measures to mitigate the economic consequences of the pandemic caused by the novel coronavirus after the government imposed a "lockdown light" as from March 18th, 2020, to slow down the spread of COVID-19.

Below is a succinct overview of the most important measures.

4.1. Tax measures

Automatic payment reliefs

The ***federal government*** has announced an automatic two-month deferment of payment (without late payment interest becoming due) for **VAT and professional withholding taxes** that would normally be due in March and April.

Also with respect to the payment of **federal income taxes (personal income tax, corporate income tax, legal entities income tax and non-residents income tax),** the usual payment terms are automatically extended with a period of two months (in addition to the ordinary payment term and without late payment interest becoming due) for all taxes assessed as of 12 March 2020.

Customs & Excises also amended the electronic customs portal PLDA and extended payment terms from one week to four weeks for (a) excise duties and packaging levy on alcohol and alcoholic and non-alcoholic beverages; and (b) import VAT. This extension of payment terms applies until 30 June 2020 and only to the abovementioned taxes in PLDA.

The ***Flemish government*** has announced that the **road tax** collection for the assessment year 2020 will be postponed for legal entities by four months. In addition, the assessment notices with respect to **real estate tax** which are usually issued in May, will be sent out as from September 2020 for legal entities. In this respect, the Flemish government allows the local authorities to lower their real estate tax surcharge. The Flemish Region also committed to a flexible policy with respect to the **request of payment plans**.

The ***Brussels government*** grants a relief for the so-called "**Brussels city tax**" on tourist accommodations for the first quarter of 2020. Besides, an exemption is granted for tax year 2020 for the **tax on taxi services and cars with driver**. Furthermore, the government announced that an automatic extension of two months would be granted for the payment of **real estate tax**. The payment term for registration and inheritance duties is extended with four months (except if a notary deed is required) if the initial term has expired or expires between 16 March and 30 June 2020.

The ***Walloon Government*** has indicated in a press release of March 18th, 2020, that **local taxes**, which are to be levied in the hands of enterprises which activities are impacted by the safety measures are suspended during the period of said measure. The government will grant a financial compensation to local governments to compensate their financial losses as a result of the suspended taxes. Moreover, taxpayers are granted a **payment deferra**l during the COVID-19 crisis. With respect to **real estate tax**, the assessment notices will be sent out as from August 2020. For **registration and inheritance duties**, an additional payment term of four months (except if a notary deed is required) applies if the initial term has expired or expires between 16 March and 30 June 2020.

Federal payment reliefs upon request

Additional support measures can be granted upon request to **enterprises which can demonstrate that they are affected by the spread of the coronavirus**. It concerns further deferrals of payment as well as waivers of late payment interest and fines with respect to corporate income tax, personal income tax, legal entities tax, VAT and professional withholding tax.

Accelerated refund of VAT credit for monthly filers

Taxable persons that file their VAT returns on a monthly basis, are granted an accelerated refund of their VAT credit. The refund has to be requested in the VAT return, and will be paid on April 30th at the latest.

Postponement of filing deadlines

The ***federal government*** have announced a **general extension of filing deadlines** for income tax returns that were due between 16 March and 30 April. For companies that end their accounting year between 30 October 2019 and 30 December 2020, an additional extensions applies. With respect to VAT, automatic extensions are granted for the periodic VAT returns that were due in March and April 2020 as well as for client and intra-community listings.

The ***Flemish government*** provides an additional time period for several obligations regarding **registration and inheritance duties**.

For **registration and inheritance duties** due within the ***Walloon or Brussels Region***, the filing deadlines are extended with four months (except if a notary deed is required) if the initial term has expired or expires between 16 March and 30 June 2020. Additional tolerance may apply to private agreements subject to registration duties.

Corona crisis as a justification for write-downs of trade receivables

In a Circular Letter of 23 March 2020, the federal tax authorities confirmed that the corona crisis constitutes a special circumstance which justifies (under certain conditions) the deductibility of the write-downs of trade receivables on companies which are facing financial difficulties due to the measures taken by the National Security Council and laid down in the ministerial decree of March 18th, 2020.

Encouraging donations of medical supplies

Specific VAT and income tax measures encourage donations of medical supplies to listed healthcare institutions. For individuals, a tax deduction applies under certain conditions with respect to donations in kind made towards university hospitals and hospitals related to the Public Centre of Social Welfare.

Suspension of tax audits on the premises of the taxpayer

The federal tax authorities announced a **suspension of non-essential or non-urgent tax audits at the premises of the taxpayer**. Only tax audits which are of interest for the financial needs of the Belgian State will be further carried out. Audits that are carried out remotely in principle continue.

The **Walloon government** has also indicated to suspend tax audits carried out physically or through mail and e-mail.

Advance tax payments

The federal tax authorities increased the rates of the advantages obtained through advance tax payments made by self-employed individuals and companies for the third and fourth quarter of 2020 so that the postponement of advance tax payments is less disadvantageous.

Administrative tolerance regarding EBITDA-interest deduction limitation rule

In a Circular Letter of 5 May 2020 an administrative tolerance with respect to the applicability of the EBITDA-interest deduction limitation rule on loans granted before 17 June 2016 was announced. Such loans are not subject to the EBITDA-interest limitation rule unless they have been fundamentally modified since 17 June 2016 (grandfathering clause).

It is now accepted that specific payment facilities, granted in view of the COVID-19 crisis, for loans conducted prior to 17 June 2016 do not constitute an essential modification which could lead to the application of the EBITDA-interest deduction limitation rule under certain conditions.

4.2. Social measures (including HR Tax)

Social security – payment deferrals

Also the different social security authorities have taken several measures to alleviate the consequences of the crises, including various possibilities for affected companies to request payment deferrals.

Temporary unemployment

The conditions for the application of temporary unemployment due to *force majeure* have been relaxed, and a bridging right is available for the self-employed.

Temporary home working allowance

As long as the "lockdown light" measures are in force, employers may grant a temporary home working allowance to their employees. This monthly allowance of maximum EUR 126.94 is free of tax and social security contributions. Every employee who works from home can benefit from this allowance, regardless of their position. Please note that for employees who already receive an expense allowance for telework, double use must be avoided.

These allowances are tax exempt in the hands of the employee and constitute a deductible expense in the hands of the employer. The ruling commission has published a model of a ruling request for employers who wish to request a ruling in this matter.

Telework & impact on cross-border employment

The ministerial decree of 18 March 2020 forces all enterprises to facilitate teleworking, to the extent possible.

This measure impacts multiple frontier workers which are from now on obliged to (tele)work from their resident state. Hence, the applicability of tax regimes foreseen by certain double tax treaties to facilitate the taxation of the professional income of frontier workers could be impacted. The Belgian government has announced that the corona crisis constitutes a case of *force majeure* with respect to the specific regimes entered into with France (with respect to French frontier workers in Belgium) and Luxembourg. Besides, the Belgian government entered into agreements with the French (with respect to Belgian frontier workers in France), Dutch and German government through which frontier workers remain taxable in the state in which they normally carry out their professional activities if, as a consequence of the corona crisis, telework is now carried out in their residence. Furthermore, the agreement with the Dutch government clarifies how the double tax treaty should be applied in case frontier workers aren't working but still receive their salary or a Belgian unemployment allowance.

4.3. Financial measures

The federal and regional governments are taking several financial measures in the framework of the COVID-19 crisis, including:

A federal **EUR 50 billion guarantee scheme** to ensure that lending to private individuals, the self-employed and business is continued.

Enterprises facing financial difficulties as a consequence of the pandemic are protected against bankruptcy between 24 April and 17 May 2020 through a moratorium. This moratorium automatically applies and suspends (i) recovery measures, (ii) bankruptcy or judicial dissolution and (iii) the unilateral dissolution of agreements, which are conducted before 24 April 2020.

The credit institutions committed to provide business and mortgage borrowers **postponement of payment** until October 31th, 2020 without charge in case of liquidity problems due to the Corona crisis.

The regional governments provide nuisance provide **premiums for business that have to stay closed** as a consequence of the lockdown light imposed by the federal government.

Useful links:

- Federal Ministry of Finance's website: click here.
- Federal Social security authorities' website: click here.
- Brussels tax authorities' website: click here.
- Flemish tax authorities' website: click here.
- Walloon authorities' press release: click here.

For updated information please contact your Taxand team in Belgium at http://www.arteo.law

5. BRAZIL *(UPDATED 01.04.20)*

Despite of the resistance presented by President Bolsonaro to social isolation, federal ministries of Health and Economy have quickly stablished a series of measures to cope with the COVID-19 crisis. The most important measures were stablished by Provisional Measures proposed by the federal government which gave legal basis to normatives provided by other organs to deal with the economic and social crisis. The measures are centered in public expenditures in key areas, such as health and education; financial aid to vulnerable populations and to small businesses; job maintenance and facilitation of credit. Among others, we can mention the main following measures.

5.1. Tax Measures

Interruption of collection acts and facilitation on the renegotiation of debt contracted with public entities

Authorizes the suspension, for up to 90 days, of processes related to recovery of debts owed to public entities, including the establishment of new collection procedures and the termination, by public entities, of debt installments that have been negotiated with tax payers.

Suspension of deadlines in judicial and administrative procedures as well of the state os limitations of the rights involved in such procedures.

The suspension in all judicial courts prolongs to April 30th and to May 29 in procedures within the Federal Revenue Entity (*Receita Federal do Brasil*).

Extension of the period of validity of tax regularity documents

The validity extension of 90 days refers to documents related to the absence of debts with the federal government.

Postponement of payment of the Social Contribution for Discharge of Employees (FGTS)

The FGTS is a contribution levied on the employee salary and is payed monthly by Brazilian employers. The FGTS due in the months of April, May and June 2020 (related to salaries payed in March, April and May) will be postponed. The postponed payment of the FGTS may be payed in six installments.

Postponement of payment of federal taxes due by small companies under the Simples Nacional Program

The federal taxes due in March, May and April by small and medium companies were postponed for a six months period.

Reduction of social contribution rates

Reduction of approximately 50% of the “Sistema S” social contribution rates for a 3 months period. These contributions are levied on Companies’ revenues and are destined to certain private entities that develop social works.

Tax Exemption for medical and hospital products

Exemption, valid until September 30th, of the Import Tax (levied on the import of goods) and the Tax on Industrialized Products (Excise Tax) levied on products goods that are considered important to the prevention of the COVID-19 and to the treatment of the infected patients.

Postponement of the delivery date of the DCBE (declaration of goods owned abroad)

Brazilian residents, (both companies and individuals), are obliged to deliver to Federal Revenue a statement declaring assets owned by the Brazilian resident that are located abroad. Because of the COVID-19 the delivery term is postponed to June 1st for residents that deliver the DCBE annually and postponed to July 15th for residents that deliver the DCBE quarterly.

5.2. Social Measures

Emergency aid to low-income informal workers

A bill has been recently passed to aid the Brazilian population that finds itself in a situation of vulnerability due to the lack of economic movement caused by the social isolation. The aid value varies from BRL 600 to BRL 1,200 (as a comparison parameter the Brazilian minimum wage is of BRL 1,039) and will benefit approximately 30,5 million citizens (14% of the Brazilian population). Its cost will be of about BRL 59.9 billion to the public treasury.

Anticipation of legally mandated bonuses to low-income workers and beneficiaries of the Brazilian Social Security

According to Brazilian legislation, employees receive a yearly bonus of one salary and another yearly bonus of one salary to low-income workers, that receive up to two minimum wages. The Government has announced anticipations in such payments: the first portion of the Christmas Bonus payed by Social Security to retired workers and pensioners will be anticipated to May and the yearly bonus to low-income workers will be anticipated to June.

New labor rules

As a way of adapting to the new working environment presented by the COVID-19 crisis and the social isolation, Federal Government has proposed a Bill (a Provisional Measure) with the aim of preserving jobs and income. Such rules include the regulation of the home office, anticipation of individual and collective vacation, utilization and anticipation of holidays, suspension of administrative requirements in occupational safety and health.

Procedures for acquisitions aimed at tackling the COVID-19 emergency

New procedures for the acquisition of goods, services and inputs to cope with the public health emergency, such as: restriction to the entrance and exit of goods considered essential to coping with the crisis and exemption from public biddings on purchases of these essential goods.

Destination of public reserves do the Ministries of Health, Education, Defense, External Relations and Science

Federal Government has announced a BRL 5 billion credit to the Ministries of Health and Education and a BRL 3 billion credit to the Ministries of Defense, External Relations and Science. These credits are to be used to finance measures deemed necessary to tackle to COVID-19 crisis.

5.3. Financial Measures

Debt renegotiation facilitation

Facilitation of the renegotiation of corporate and family debts by exempting banks from provisioning savings and by exempting banks from complying with certain Brazilian Central Bank (BACEN) requirements to undertake debt restructuring operations, counting that such operating is not already considered a problematic restructuring by the BACEN.

Financial aid to small businesses

Besides a BRL 5 billion credit line that the Government had already granted to small business, Federal Government has more recently announced a BRL 40 billion public credit line to be granted to small business in order to help them pay salaries and survive cash flow problems generated by the COVID-19 crisis. It will be granted up to two salaries per employee to each participating business. These measurements are expected to generate a BRL 637 Billion raise in granting of credit capacity.

Diminishment of interests

Interests of loans contracted by Social Security beneficiaries have been diminished.

For updated information please contact your Taxand team in Brazil at
https://www.garrigues.com/en_GB/office/sao-paulo

6. CANADA *(UPDATED 21.05.20)*

While the Government of Canada has been focusing on containing the spread of COVID-19, it has also been undertaking coordinated planning to prepare for possible broader transmission of the virus, and to mitigate the impacts of a potential pandemic.

To support these efforts, the Prime Minister convened an Incident Response Group on coronavirus, which has been meeting since the end of January, and, on March 5, he created a Cabinet Committee on the federal response to the coronavirus disease (COVID-19). Chaired by the Deputy Prime Minister and vice-chaired by the President of the Treasury Board, the committee meets regularly to ensure whole-of-government leadership, coordination, and preparedness to limit the health, economic and social impacts of the virus.

The Government of Canada is committing more than $1 billion dollars to public health measures to ensure the health and safety of Canadians.

To support the immediate response to the outbreak, $50 million was allocated to support initial actions, including border and travel measures and sustained activation of the Health Portfolio Operations Centre and the National Microbiology Laboratory. In addition, $7.1 million was provided to support the repatriation of Canadians and $2 million was contributed to the World Health Organization to support their efforts to contain the outbreak.

Please note that many tax measures have been implemented by regional and municipal governments. Should you need more information on these measures, please go to our website at www.blg.com.

6.1. Tax measures

- ***Measures announced for <u>individuals</u> include:***
  - Deferral of tax-filing deadlines:
    - The filing deadline for individual taxpayers is now June 1, 2020.
    - For trusts with a tax year-end date of December 31, 2019, the filing deadline for trusts is now May 1, 2020. Trusts that would otherwise have a filing due date in April or May have their filing deadline extended to June 1, 2020.
    - Other tax actions that are due after March 18, 2020 until June 1, 2020 are also deferred until June 1, 2020. These include returns, forms, elections, designations, and responses to information request.
    - These extensions do <u>not</u> apply to the filing of Scientific Research and Experimental Development filings or payroll deductions.
  - The payment of any taxes owing arising on March 18, 2020 onwards will be suspended until August 31, 2020, without interest or penalties.
  - Those who cannot file a return or make the new payment deadline because of COVID-19 may request the cancellation of penalties and interest if they are charged to their account.
  - Special GST/HST credit payment of close to $400 for single individuals and close to $600 for couples for low- and modest-income families.
  - Taxpayers who have received a requirement for information can choose to defer acting on the requirement until further notice.
  - Banks and employers are not required to comply or remit on existing requirements to pay until further notice.
- ***Measures announced for <u>businesses</u> include:***
  - For corporations that would otherwise have a filing due date after March 18, 2020 and before June 1, 2020, the filing due date has been extended to June 1, 2020.
  - Businesses can defer income tax payments under Part I of the Income Tax Act (Canada) until September 1, 2020 for any income tax amounts that become owing on or after March 18 and before September 1, 2020.

- The federal government is deferring to June 30, 2020 GST/HST remittances and customs duty payments that becoming owing on or after March 27, 2020 and before June 30, 2020 for businesses and self-employed individuals.
  - No interest will apply if payments or remittances are made by June 30, 2020.
  - The filling deadline for GST/HST returns has not changed. However, in recognition of the difficult circumstances businesses face, penalties will not be imposed on a return due to be filed between March 27, 2020 and June 30, 2020 if such return is filed by June 30, 2020.
  - Businesses in need of information about their particular accounting and payment obligations on imported goods may contact the Canada Border Services Agency for more details.
- Other tax actions that are due after March 18, 2020 until June 1, 2020 are also deferred until June 1, 2020. These include returns, forms, elections, designations, and responses to information request. These extensions do not apply to the filing of Scientific Research and Experimental Development filings or payroll deductions.
- Those who cannot file a return or make the new payment deadline because of COVID-19 may request the cancellation of penalties and interest if they are charged to their account.
- Taxpayers who have received a requirement for information can choose to defer acting on the requirement until further notice.
- Banks and employers are not required to comply or remit on existing requirements to pay until further notice.
- Collections
  - Collections activities on new debts will be suspended until further notice, and flexible payment arrangements will be available.
  - Businesses are allowed to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after today and before September 2020. This relief applies to tax balances due, as well as installments, under Part I of the Income Tax Act. No interest or penalties will accumulate on these amounts during this period.
- Audits
  - The CRA will not contact any small or medium businesses to initiate any post assessment GST/HST or Income Tax audits for the next four weeks (starting March 20, 2020).
  - For the vast majority of businesses, the CRA will temporarily suspend audit interaction with taxpayers and representatives.
  - The exceptions being those cases nearing the statute-barred assessment periods.
- Appeals and Objections
  - Any objections related to Canadians' entitlement to benefits and credits have been identified as a critical service which will continue to be delivered during COVID-19.
  - Accounts related to all other objections are currently being held in abeyance and no collection action will be taken with respect to such accounts at this time.
  - Objections due between March 18, 2020 and June 30, 2020 have had their deadline extended until June 30, 2020.
  - The Tax Court of Canada has ordered the extension of all timelines prescribed by the Tax Court Rules.
  - Full text of the announcement found here: https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/covid-19-collections-audits-appeals.html
- Financial institutions
  - Part XVIII (Foreign Account Tax Compliance Act) and Part XIX (Common Reporting Standards) information return deadlines are deferred until September 1, 2020. No interest or penalty will be assessed during this time.

- For financial accounts opened before January 1, 2021, the CRA will not apply a penalty for failure to collect a self-certification under these rules.

6.2. Social measures

- ***Measures announced for <u>individuals</u> include:***
  - The federal government will be working with provinces and territories on a new program to top up the salaries of low-income workers (less than $2,500 per month on a full time basis) who have been deemed essential during the COVID-19 pandemic. Details have not yet been released.
  - Canadian Emergency Response Benefit (CERB) will provide a taxable monthly $2,000 benefit for up to four months to any worker who cannot work because they are sick, quarantined, laid off, or acting as a caregiver for someone with COVID-19. The benefit is available for March 15, 2020 to October 3, 2020. EI-eligible Canadians can apply for EI if they continue to be unemployed after the period covered by the CERB. A portal for CERB applications is already online.
  - Available from May to August 2020, the Canada Emergency Student Benefit (CESB) will provide $1,250 per month to eligible students ($2,000 for eligible students with dependents or disabilities).
  - The Canada Student Service Grant (CSSG) will help students gain work experience while helping their communities during the pandemic, providing up to $5,000 for their education in the fall. More details forthcoming.
  - The government will provide $153.7 million for the Youth Employment and Skills Strategy to help youth transition into the labour market.
  - The government has proposed changes to the Canada Student Loans program (CSLP) to allow more students to qualify and to qualify for more. The changes include doubling Canada Student Grants for full-time students up to $6,000 (up to $3,600 for part-time students) in 2020-21; broadening eligibility by removing expected student's and spouse's contributions; and raising the maximum weekly amount that can be provided to a student from $210 to $350.
  - $291.6 million will be provided to support student researchers and post-doctoral fellows through federal granting councils.
  - Restrictions limiting international students to 20 hours of work per week while classes are in session will be removed for students working in an essential service or function such as health care, critical infrastructure, or the supply of food or other critical goods. This is a temporary change that will remain in place until August 31, 2020.
  - $80 million will be provided to the Student Work Placement Program to support up to 20,000 post-secondary students to obtain work in their field of study.
  - The government is investing $40 million to assist Mitacs to create 5,000 new job placements. The Business/Higher Education Roundtable (BHER) will create a further 5,000 to 10,000 new student placements.
  - Canada Child Benefit Credits: a one-time additional payment of up to an extra $300 per child will be made in early May to low-income, eligible households. This means the average family will earn about $550 more.
  - Indigenous Communities Support Fund ($305 million) will be set up to assist with the immediate needs of First Nations, Inuit, and Métis communities. Another $100 million will be provided to support federal health measures.
  - Another $75.2 million in distinctions-based support will be offered to support First Nations, Inuit and Metis Nation post-secondary students
  - Support for individuals experiencing homelessness ($157.5 million) will be delivered through additional funding for Reaching Home. Another $100 million will be provided to organizations across the country to purchase, transport and distribute food and other basic necessities and provide other services related to urgent food needs. An additional $25 million will be provided to Nutrition North Canada to increase subsidies for personal hygiene products and food.
  - Support for women's shelters and sexual assault centres ($50 million) will be delivered through additional funding.

- $350 million was invested where charities and non-profits delivered essential services to vulnerable Canadians.
- Seniors will benefit from a 25 per cent reduction in minimum Registered Retirement Income Fund and Registered Pension Plan withdrawals, in recognition of volatile market conditions.
- A $9 million contribution will be made through United Way Canada to support practical services to seniors.
- As well, another $20 million under the New Horizons for Seniors Program will support organizations that help seniors reduce isolation, improve their quality of life, and help them maintain a social support network.
- Seniors eligible for the Old Age Security (OAS) pension will receive a one-time tax-free payment of $300 plus another $200 for seniors eligible for the Guaranteed Income Supplement (GIS). In addition, the government is temporarily extending GIS and Allowance payments if seniors' 2019 income information has not been assessed. Seniors are encouraged to submit their 2019 income information before October 1, 2020 to avoid an interruption in benefits.
- Kids Help Phone will receive $7.5 million to provide young people with mental health support.

- ***Measures announced for businesses include:***
  - In order to provide support for Canadian businesses during these unprecedented economic times, the federal government announced a number of additional supports that will be offered:
    - The federal government has offered employers the Canada Emergency Wage Subsidy (CEWS) applied at a rate of 75% on the first $58,700 earned by employees, representing a benefit of $847 per week. The program will be in place for a 12-week period, retroactive to March 15 and ending June 6, 2020. The federal government has announced that this program will be extended past June with more details forthcoming. Eligible businesses of all sizes and from all sectors of the economy, regardless of the number of workers they employ, that suffer a drop of at least 15% in gross revenues due to COVID-19 in March, and at least 30% in April or May, when compared to the same month in 2019, would be able to access the subsidy. There would be no overall limit on the subsidy amount that an eligible employer may claim.
    - Employers eligible for CEWS can receive a 100% refund for certain contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan paid in respect of employees on leave with pay.
    - Those organizations that do not qualify for the Canada Emergency Wage Subsidy may continue to qualify for the previously announced Temporary Wage Subsidy of 10 per cent of remuneration paid from March 18 to June 19, inclusive, up to a maximum subsidy of $1,375 per employee and $25,000 per employer.
    - Employers who qualify for both CEWS and the Temporary Wage Subsidy will generally reduce the amount available to be claimed under the CEWS in the same period.

6.3. Financial Measures

- ***Measures announced for individuals include:***
  - Canada Student Loan Payments ($190 million) will be deferred until September 30, 2020 without interest.
  - In order to support the mortgage financing market in Canada, the Canada Mortgage and Housing Corporation's (CMHC) has enhanced access to capital, and its insurance-in-force and guarantees-in-force have increased legislative limits, so that CMHC can continue to provide stable funding to banks and mortgage lenders in support of continued lending to Canadian businesses and consumers. Canada's mortgage insurers are letting lenders defer up to six monthly mortgage payments (interest and principal) for borrowers impacted by COVID-19 and experiencing financial hardship.
  - The Insurance Mortgage Purchase Program was launched to purchase up to $150 billion of insured mortgage pools through CMHC and provide long-term stable funding to banks and mortgage lenders, facilitate lending, and add liquidity to the mortgage market.

- Sponsors of federally regulated, defined benefit pension plans will receive relief in the form of a moratorium for the rest of 2020 on solvency payment requirements.
- The Canada Summer Jobs program will undergo certain changes to allow employers to receive increased wage subsidy, extend the end date for employment to February 28, 2021, adapt their projects and activities, and hire staff on a part-time basis.
- The government is waiving tariffs on certain medical goods, including PPE like masks and gloves.

- ***Measures announced for businesses include:***
  - The federal government established a Large Employer Emergency Financing Facility (LEEFF), which will provide bridge financing to large Canadian employers (annual revenues greater than $300 million) in all for-profit sectors (except the financial sector) as well as certain not-for-profit businesses like airports as a way to protect jobs and avoid bankruptcies where possible. Companies must be seeking at least $60 million in financing. The details of the program and the application process are not yet finalized, but conditions to qualify for the program are expected to include:
    - Companies cannot be actively undergoing insolvency proceedings.
    - Companies would need to demonstrate how they will preserve employment and maintain investment activities.
    - Limitations on dividends, share buy-backs, and executive pay.
    - An assessment may be made of a company's employment, tax, and economic activity in Canada, outside Canada, and financing structures.
    - Companies cannot have been convicted of tax evasion.
    - Program recipients must commit to publish climate disclosure reports annually, including how their operations intend to support sustainability and climate goals.
  - The Canada Emergency Commercial Rent Assistance (CECRA) program is run by CMHC provides small businesses with rent relief during COVID-19. Under the program, eligible commercial property owners can receive forgivable loans to cover 50% of their small business tenants' rent for April, May, and June, 2020. The loans will be forgiven if the property owner reduces the tenants' rent by at least 75% under a rent forgiveness agreement. Small business tenants must be paying less than $50,000 per month in rent, and have temporarily ceased operations or have experienced at least a 70% drop in revenues. The program is expected to be operational mid-May, the application deadline is August 31, 2020 and the program can apply retroactively to April, May, and/or June, 2020.
  - Nearly $962 million will be provided through the Regional Relief and Recovery Fund (RRRF) to help business and organizations in manufacturing, technology, tourism, and other sectors key to local economies.
  - The Work-Sharing program has been extended from 28 weeks to 76 weeks for employers affected by COVID-19. This program helps employers and employees avoid layoffs when there is a temporary decrease in business activity outside of the employer's control.
  - Rural businesses and communities will receive $287 million through the Community Futures Network.
  - The Industrial Research Assistance Program (IRAP) will receive $250 million to assist innovative, early-stage companies.
  - Futurpreneur Canada will receive $20.1 million to support young entrepreneurs across Canada. The money will provide payment relief for Futurpreneur Canada's clients for up to 12 months.
  - $15 million in non-repayable support will be available for businesses in the territories for operating costs that are not already governed by other federal measures.
  - $306.8 million of funding will be available for small and medium-sized Aboriginal businesses, allowing for short-term, interest-free loans and non-repayable contributions through Aboriginal Financial Institutions.

- Immediate, temporary relief will be available to sponsors of federally regulated, defined benefit pension plans in the form of a moratorium on solvency payments until December 31, 2020.
- Access to Credit: In order to provide support for Canadian businesses during these unprecedented economic times, the federal government announced a number of additional supports that will be offered.
  - To ensure that small businesses have access to the capital they need to see them through the current challenges, the federal government announced the launch of the new Canada Emergency Business Account, which will be implemented by eligible financial institutions in cooperation with Export Development Canada (the EDC).
    - This $25 billion program will provide interest-free loans of up to $40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced, due to the economic impacts of the COVID-19 virus.
    - Small businesses and not-for-profits should contact their financial institution to apply for these loans.
    - To qualify, these organizations will need to demonstrate they paid between $20,000 to $1.5 million in total payroll in 2019. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25 percent (up to $10,000).
  - Small and medium-sized enterprises ("**SMEs**") may be particularly vulnerable to the impacts of COVID-19. To support their operations, EDC will guarantee new operating credit and cash flow term loans that financial institutions extend to SMEs, up to $6.25 million.
    - The program cap for this new loan program will be a total of $20 billion for export sector and domestic companies.
    - Another $675 million will be made available to financially support SMEs unable to access other business supports.
  - To provide additional liquidity support for Canadian businesses, the Co-Lending Program will bring the Business Development Bank of Canada (the BDC) together with financial institutions to co-lend term loans to SMEs for their operational cash flow requirements. This program is available until or before September 30, 2020.
  - Eligible businesses may obtain incremental credit amounts up to $6.25 million. BDC's portion of this program is up to $5 million maximum per loan. Eligible financial institutions will conduct the underwriting and manage the interface with their customers. The potential for lending for this program will be $20 billion.
  - For more information on this, please see: https://www.canada.ca/en/department-finance/news/2020/03/additional-support-for-canadian-businesses-from-the-economic-impact-of-covid-19.html
  - The EDC's Mid-Market Guarantee and Financing Program will have the EDC work with Canadian financial institutions to guarantee 75% of new operating credit and cash-flow loans from $16.75 million to $80 million. These guarantees are available to exporters, international investors and businesses that sell their products or services within Canada. More details forthcoming.
- The Bank of Canada has cut the central bank's benchmark interest rate to 0.25% as a proactive measure in light of the negative shocks to Canada's economy arising from the COVID-19 pandemic and the recent sharp drop in oil prices. For more information, please see: https://www.bankofcanada.ca/2020/03/press-release-2020-03-27/
- The Business Credit Availability Program will allow the BDC and EDC to provide more than $10 billion of additional support in the form of a credit facility, largely targeted to small and medium-sized businesses.
- The BDC and EDC are cooperating with private sector lenders to coordinate on credit solutions for individual businesses, including in sectors such as oil and gas, air transportation, and tourism.

- As of now, through the BDC, businesses can apply for small business loans of up to $100,000 (and get access to the funds within 48 hours of being approved), working capital loans, and purchase order financing.
- For more information on this, please go to: https://www.bdc.ca/en/online_financing/pages/loan-application.aspx#/.
- If a business' financing needs exceed $100,000, it should call the Client Contact Centre at 1-877-232-2269.

- The Office of the Superintendent of Financial Institutions announced it is lowering the Domestic Stability Buffer by 1.25% of risk-weighted assets, effective immediately. This action will allow Canada's large banks to inject $300 billion of additional lending in to the economy.

- ***Measures announced for industries/sectors include:***
  - Workers in the food supply chain: $50 million will be provided to help famers, fish harvesters, and all food production and processing employers to put in place measures to follow the mandatory 14-day isolation period required after workers arrive from abroad. The Mandatory Isolation Support for Temporary Foreign Workers Program provides employers $1,500 per worker.
  - The fish and seafood processing sector will receive $62.5 million through the Canadian Seafood Stabilization Fund to help businesses access short-term financing, add storage capacity for unsold product, comply with new health measures, support new technologies, and adapt products to changing requirements and market demands. More details forthcoming.
  - The government is creating a $77.5 million Emergency Processing Fund to help food producers access more PPE.
  - A national AgriRecovery initiative is being launched for up to $125 million to help producers with their additional costs incurred under the pandemic.
  - The government intends to increase the Canadian Dairy Commission's borrowing limit by $200 million to support costs arising from the temporary storage of cheese and butter to avoid food waste.
  - The Surplus Food purchase program will be launched with an initial fund of $50 million to redistribute existing and unsold inventories.
  - The federal and provincial governments are working to increase interim payments from 50% to 75% through AgriStability, which supports producers facing significant revenue declines.
  - The federal and provincial governments are working on the AgriInsurance program, which stabilizes a producer's income by minimizing economic effects caused by severe but uncontrollable hazards.
  - Farming industry: Supporting Farm Credit Canada by allowing an additional $5 billion in lending capacity to producers, agribusinesses, and food processors. This will offer increased flexibility to farmers who face cash flow issues and to processors who are impacted by lost sales, helping them remain financially strong during this difficult time.
  - The federal government established an Emergency Support Fund of $500 million to alleviate financial pressures of cultural, heritage and sport organizations.
  - The Canadian Radio-television and Telecommunications Commission (CRTC) will not issue letters for Part I license fees payable by broadcasters for the 2020-21 fiscal year. The government will cover the waived amount instead.
  - Up to $17.3 million will be provided to the governments of Yukon, Northwest Territories, and Nunavut to support critical air services to remote communities.
  - Air transportation industry: The Government of Canada announced on March 30 that ground lease rents will be waived from March 2020 through to December 2020 for the 21 airport authorities that pay rent to the federal government. The government will also provide comparable treatment for PortsToronto, which operates Billy Bishop Toronto City Airport and pays a charge to the federal government. This will provide relief up to $331.4 million, reflecting payments in the same period of 2018.

- Tourism: Payments will be deferred without interest on commercial leases and licenses of occupation for national parks, historic sites, and marine conservation areas until September 1, 2020.
- Forestry and steel & aluminum industries: The Government of Canada has put in place Work-Sharing temporary special measures for employers in the forestry, steel and aluminum sectors affected by the downturn in business due to COVID-19. These measures extend the duration of Work-Sharing agreements by an additional 38 weeks, for a total of 76 weeks, and the mandatory waiting period has been waived.
- $1.72 billion will be provided to the governments of Alberta, Saskatchewan, and British Columbia as well as to the Alberta Orphan Well Association to clean up orphan oil and gas wells to help maintain jobs.
- $750 million will be used to create a new Emissions Reduction Fund to support workers and reduce emissions, with a focus on methane. $75 million of this amount will be allocated to the offshore sector.

Useful links:

- Federal Ministry of Finance's website: click here.

For updated information please contact your Taxand team in Canada at http://www.blg.com

7. CHILE *(UPDATED 05.05.20)*

On March 18, 2020, President Sebastián Piñera announced new governmental measures seeking to prevent the advance of coronavirus in Chile. The announcement included the declaration of an Exceptional Constitutional State of National Catastrophe, which began on March 19, 2020, for a 90-day period. Shortly thereafter, on March 22, through the Supreme Decree, a curfew was declared for an indefinite period, during which Chilean citizens were prohibited from moving between 22:00 pm until 05:00 am. Subsequently, on March 26, the mandatory quarantine began to be declared in some cities or specific areas of some cities (social isolation).

7.1. Tax Measures

On March 19, the Chilean Government announced an economic plan to deal with the consequences of the spread of the Covid-19 virus in Chile.

Income Tax

- Provisional monthly payments (*Pagos provisionales mensuales*, PPM): PPM payment is suspended for the next 3 months. This measure will be in force from April.
- Annual income tax payment for SMEs (companies that generate income not exceeding UF (*Unidad de Fomento)* 100,000 / CLP 2,855 million approx.) is deferred until July 2020, according to the tax return filed in April 2020. This measure will be in force from April (tax year 2020).
- All the expenses of the companies incurred to deal with the contingency will be accepted as deductible for tax purposes. Immediately in force.
- Grant greater flexibility in deadlines to present sworn statements related to income tax return process for year 2020. Immediately in force.
- Tax income refund to which SMEs are entitled will be anticipated, receiving their refund in April 2020. This measure will be in force from April (tax year 2020).

VAT

- VAT payment is deferred for the next 3 months for companies with sales under UF 350,000 / CLP 9,993 million approx. This measure will be in force from April (tax year 2020).
- VAT deferred payment can be made in 6 or 12 monthly installments with 0% interest rate. This measure will be in force from July.

Real Estate Tax

- Payment of real estate tax in April is deferred for companies with sales under UF 350,000, CLP 9,993 million approx., and for individuals with properties with a tax assessment under CLP 133 million. This measure will be in force from April.
- Payment of this tax may be made in three installments, together with the following three real estate tax installments, with an interest rate of 0%. This measure will be in force from April.

Stamp Tax

Among the measures included in the economic plan to deal with the consequences of the spread of Covid-19 announced by the Chilean Government on March 19, is a transitory reduction to 0% of the Stamp Tax ("ITE") rate. This measure was included in Law No 21.225 ("Covid-19 Law"), published in the Official Gazette on April 2, 2020.

Article third of Covid-19 Law provides the following:

- ITE12 rates are temporarily reduced to 0 with respect to taxes accrued between April 1, 2020 and September 30 of the same year, both dates inclusive.

- In the case of bond issuance lines or short-term debt securities lines whose first disbursement is made within the period between April 1, 2020 and September 30 of the same year, notwithstanding the application of the reduced rate of 0% for disbursements made in this period, the determination of the applicable ITE to subsequent disbursements included in the line will be maintained, until completing the maximum rate, currently 0.8%.

- On the other hand, for the purposes of calculating ITE that would apply to refinancing operations that meet the requirements of article 24 No. 17 of ITE Law, operations or documents object of the refinancing whose taxes have accrued in the period between April 1, 2020 and September 30 of the same year with the reduced rate of 0%, shall be deemed as having been affected by ITE rates that would have been applicable without the transitional reduction.

- Finally, it is provided that if the Bill is published in the Official Gazette after April 1, 2020, the collection of ITE, interest and associated fines accrued in the intermediate period will not proceed. For these purposes, it is added that if ITE has been paid for documents signed as of April 1, 2020, prior to the date of publication of Covid-19 Law, such payments will be returned according to the general procedure established in the Tax Code34.

Others Measures

In the case of SMEs and people with low income, flexibility will be set forth in order to enter into tax debt payment agreements with the General Treasury of the Republic, without interest or fines. In addition, judicial collection and auctions due to tax debts are temporarily suspended. This measure would be in force from April.

7.2 Labour Measures

Telecommuting Law
On March 24, 2020 the President of the Republic enacted the **Law that Modifies the Labor Code on Telecommuting**.

"Covid-19" bill
On March 31, 2020 this bill was approved by the Mixed Commission of the Congress, which seeks to facilitate the access of employees to the unemployment insurance benefits of Law Nº19,728 in exceptional circumstances protecting the income of employees. Up to this date, this bill is pending to be enacted and published as a law.
This measure seeks to guarantee the income of those employees who, due to the emergency must remain at home without the possibility of telecommuting.

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[1] *Currently, ITE rates established for promissory notes, bills of exchange and any document that contains a loan are as follows:*
a) 0.066% on the amount of the debt capital for each month or fraction of a month between the issue and the maturity of the same, with a maximum of 0.8%; and,
b) 0.332% for documents containing loans payable on demand.

[2] *The transitory reduction also applies to extensions or renewals of the respective documents and documents signed for imports or entry of goods from free zones under a deferred payment system.*

[3] *In order to obtain a refund, it must be evidenced, before the Internal Revenue Service, that these are operations or documents in respect of which the temporary reduction of ITE rate to 0% is appropriate and, if this entity requires it, the fact of having restituted the amounts paid by the debtor to the creditor for this purpose, if applicable.*

[4] *Considering that Covid-19 Law was published in the Official Gazette on April 2nd, 2020, this provision would only be applicable for documents granted on April 1st, 2020.*

This bill establishes:

- Extraordinary access to unemployment benefits due to the declaration or act of authority that sets out the total cessation of activities.
- Pacts for Temporary Reduction of Working Hours.

Covid-19 Bonus
On March 30, this law was enacted by the President, which grants a bonus equivalent to the *Subsidio Único Familiar* to workers without a formal source of employment. This law will benefit 2 million people.

Solidarity Fund to face the crisis
Finally, the creation of a USD 100 million Solidarity Fund has been announced to address social emergencies arising from declining sales.

7.3 Economic Measures

On April 12, President Sebastián Piñera announced additional measures to the Emergency Economic Stimulus Plan announced on March 19. Through the Complementary Emergency Economic Stimulus Plan, the government will allocate additional resources for up to US$ 5 billion, thus complementing the initial Emergency Economic Stimulus Plant which amounted to a total of US$ 11.7 billion -which itself represented 4,7% of Chile's GDP, the largest stimulus plan in Chile's history-.

In order to finance the Complementary Emergency Economic Stimulus Plan, the government also announced a US$ 2 billion cut in the public administration's budget.

The Complementary Emergency Economic Stimulus Plan contemplates the allocation of up to US$ 3 billion to promote access to working capital loans for SMEs (the "Economic Activity Protection Plan"), and US$ 2 billion to aid independent contractors (the "Income Protection Plan").

7.3.1 Economic Activity Protection Plan

On April 24, 2020, the Ministry of Finance enacted the Regulation for the Administration of the COVID-19 Credit Line of the Fondo de Garantía de Pequeños Empresarios ("FOGAPE"), setting forth the requirements and conditions upon which government-backed working capital loans are to be conceded to SMEs through financial institutions.

The Regulation seeks to create incentives for financial institutions to extend government-backed working capital loans (the "COVID-19 Guarantee") to SMEs (84% of the labor force) by means of providing US$ 3 billion in funding to the FOGAPE.

The key provisions contained in the abovementioned Regulation are:

- **Eligible Financial Institutions:** Commercial banks and credit unions are eligible to apply.
  FOGAPE will determine which financial institutions are eligible to extend government-secured loans to Beneficiary SMEs by means of a competitive bidding process.

- **Eligible Beneficiary SMEs:** Natural or legal persons whose net annual sales do not exceed 1,000,000 UF (US$ 33,456,000 approx).

Beneficiary SMEs are divided into four groups according to their net annual sales amount:

BENEFICIARY SMEs TYPE	NET ANNUAL SALES
Micro and Small Enterprises	Up to 25,000 UF (US$ 836,000 approx.)
Medium Size Enterprises	From 25,000 UF to 100,000 UF (US$

	3,345,000 approx.)
Large Enterprises I	From 100,000 UF to 600,000 UF (US$ 20,073,000 approx.)
Large Enterprises II	From 600,000 UF to 1,000,000 UF (US$ 33,456,000 approx.)

In order to calculate the net annual sales amount, Beneficiary SMEs may choose from one of the following 12-month periods:

- 12 months prior to the loan's grant date.
- Between October 1, 2018 until September 30, 2019.
- Calendar year 2019.

- **Maximum Aggregate Principal Amount:** The aggregate principal amount shall not exceed 3 months of the Beneficiary SME's annual sales, and will be calculated in accordance to the following chart:

- **Maximum COVID-19 Guarantee Amount:** The maximum amount secured by the COVID-19 Guarantee will be determined as follows:

BENEFICIARY SMEs TYPE	SME'S NET ANNUAL SALES	MAXIMUM AGGREGATE LOAN AMOUNT
Micro and Small Enterprises	**Up to 1,000 UF**	250 UF (US$ 8,360 approx.)
	Up to 10,000 UF	2,500 UF (US$ 83,640 approx.)
	Up to 25,000 UF	6,250 UF (US$ 209,100 approx.)
Medium Size Enterprises	**Up to 100,000 UF**	25,000 UF (US$ 836,400 approx.)
Large Enterprises I	**Up to 200,000 UF**	50,000 UF (US$ 1,672,000 approx.)
	Up to 400,000 UF	100,000 UF (US$ 3,345,000 approx.)
	Up to 600,000 UF	150,000 UF (US$ 5,018,000 approx.)
Large Enterprises II	**Up to 1,000,000 UF**	250,000 UF (US$ 8,364,000 approx.)

BENEFICIARY SME'S ANNUAL SALES AMOUNT	GUARANTEED PERCENTAGE
Micro and Small Enterprise	Up to 85% for each loan, up to a total aggregate loaned amount of 6,250 UF
Medium Size Enterprises	Up to 80%, for each loan, up to a total aggregate loaned amount of 25,000 UF
Large Enterprises I	Up to 70% for each loan, up to a total aggregate loaned amount of 150,000 UF
Large Enterprises II	Up to 60% for each loan, up to total aggregate loaned amount of 250,000 UF

- **Interest rate:** Each financial institution is required to offer funding to Beneficiary SMEs under market conditions.

  For commercial banks, the annual interest rate shall not exceed the Chilean Central Bank's Monetary Policy Interest Rate (currently, 0,5%) plus a 3% annual interest rate. Consequently, the a maximum 3,5% nominal interest rate.

- **Spending Requirements for Beneficiary SMEs:** Beneficiary SMEs may only use the funds to cover for their working capital needs during the COVID-19 emergency, which includes payment of salaries, leases, supplies, tax obligations, guarantees, insurances and, in general, any other essential expenses for Beneficiary SMEs' operations.

  The Regulation expressly prohibits employing these funds to:

- Pay dividends, distribute profits, and grant loans to related-parties.
- Amortize, pre-pay or refinance current or expired loans, whether directly or indirectly.
- Acquire fixed assets, with the exception of essential assets to the normal operations of the Beneficiary SME.

- **Repayment term:** Loans shall be payable in 24 to 48 months installments, including a 6-month grace period for the payment of the first installment.

- **Deferred Amortization for Preexistent Loans:** Financial institutions shall reprogram preexistent loans with the Beneficiary SME.

  Financial institutions are required to postpone any principal amortization of other preexistent credits for at least 6 months from the COVID-19 loan date, excluding interest.

7.3.2 Income Protection Plan

The government will create a fund for up to US$ 2 billion (0,8% of the GDP) to support low-income independent contractors. This social group is considered to be the most vulnerable by the government given that, due to the informal nature of their services, they are not within the scope of protection of the unemployment insurance (which is a legal obligation to both employer and employee in formal employment contracts).

Useful links:

- https://www.bye.cl/relevant-information-covid-19/?lang=en
- Chilean Government's official website: https://www.gob.cl/coronavirus/plandeaccion/

For updated information please contact your Taxand team in Chile at https://www.bye.cl/

8. CHINA *(UPDATED 07.05.20)*

National state level authorities, including the Ministry of Finance (MOF), the State Taxation Administration (SAT) and the General Administration of Customs (GAC), together with provincial and local governments, have reacted quickly to set out a string of tax reliefs and other preferential measures to support enterprises and citizens.

8.1. Tax measures

- ***Protective treatments and supplies***

  Equipment expenditures, which are incurred to increase production capacity by companies engaged in the production of **key supplies for epidemic prevention and control**, are allowed to full CIT deduction in a single year and apply for full refund of incremental retained VAT on a monthly basis. Allowances and bonuses obtained by individuals participating in the epidemic control and prevention, and medicines and medical supplies given out to individuals for the purpose of prevention of coronavirus COVID-19 will be **exempted** from China **Individual Income Tax ("IIT")**.

- ***Donations***

  In the tide of many companies and individuals are actively making donations of money and goods to help fight against COVID-19, Chinese government also quickly guaranteed the exemptions for the donors.

  These exemptions cover goods donated through charity organizations, government authorities, or directly donated to the hospitals which leading coronavirus containment are entitled to be **exempted from VAT and Surtax**.

  Besides, the donations made by enterprises or individuals through qualified organizations or government authorities can be **fully deducted for CIT and IIT** purposes as well.

- ***Loss-carried-forward***

  In order to cushion the impacts to businesses and economy, Chinese government is also working hard to reduce the tax burden on all sectors.

  For industries that were significantly affected during the outbreak, especially for **transportation, catering, accommodation and tourism,** CIT losses incurred in 2020 will be extended **from five years to eight years**.

- ***VAT on small-scaled***

  Going further, China's State Council has also decided to exempt VAT for **small-scaled taxpayers** in Hubei province (where Wuhan locates in) and reduced the VAT collection rate **from 3% to 1%** for small-scaled taxpayers in other areas, from March 1st to May 31st, 2020.

8.2. Social measures

The Chinese government provides a lot of **Social Security deferral payment and subsidies**.

They responded by deferring payments and subsidized the small and medium-size enterprises' rates and the Social Security payments.

For updated information please contact your Taxand team in China at https://www.hendersen.com/

9. CROATIA *(UPDATED 23.04.20)*

Croatia has reacted to the COVID-19 outbreak through two legislative packs aimed at relieving the economic burdens through alleviating tax burdens through payment deferral and write-offs, social security contributions and other administrative actions. It should be noted that the measures imposed have to be read together with the pre-existing legislation, since it provides the necessary base rules from which the intervening legislation stems.

Moreover, the actions described below may be subject to specific conditions, which are provided in this overview in detail. Therefore, the description of the actions is of an informative nature and special conditions may apply to any number of situations.

9.1. Aid for preserving jobs in activities affected by the coronavirus (COVID – 19)

The job preservation aid of HRK 3,250 per employee, granted for March 2020, is raised to HRK 4,000 for April and May 2020. From now on, the Republic of Croatia will take over the payment of the contributions on this amount, in the estimated amount of HRK 1825.

Companies wanting to apply for this measure will have to prove business difficulties due to special circumstances which include the following:

- Employers who can demonstrate the impact of special circumstances on a significant decline in their business activity. A decline of more than 20 % compared to the same month of the previous year is acceptable,
- Employers who are unable to perform their business activity in accordance with the decisions of the Civil Protection Staff.

The aid can be used for 3 months. Payments will be made by the 15th of the month for the previous month. Applications shall be submitted from 23.3.2020.

An employer may not be granted support if there has been a decrease in the number of employees in the period from 20.3.2020 until the date of submission of the application for aid, if the percentage of employment decline is higher:

- than 40 % for employers employing up to 10 workers,
- than 20 % for small businesses,
- than 15 % for medium-sized businesses,
- than 10 % for large businesses.

This does not include the expiry of fixed-term employment contracts, the retirement of employees and the dismissal of employees on grounds of conduct. Employers who are granted support for job preservation may not import foreign workers or hire new workers during the period of application of this measure.

9.2. Tax measures

The main tax measures implemented in combating the COVID-19 outbreak are the amendments of the General Tax Law providing possibilities to defer tax payments and the possibility to write of tax liabilities in case the proscribed conditions are met.

General procedural measures

The deadline for the filing of tax returns has been moved to 30.6.2020. The deferral refers to the corporate income tax return and all other forms and reports to be submitted together with the corporate income tax return or within the same deadline. The tax administration implements a full or partial exemption. The exemption does not apply to VAT, customs and excise duties, mandatory pension contributions (pillar 2), taxes and surtaxes determined on final income, gambling fees and charges, liabilities under previously concluded administrative agreements and rescheduled liabilities from pre-bankruptcy and bankruptcy proceedings.

Reporting for statistical and other purposes can be submitted by 30.6.2020.

The annual financial statements and the accompanying auditor's report must be submitted no later than 8 months after the end of the financial year.

The consolidated financial statements and the accompanying auditor's report must be submitted no later than ten months after the end of the financial year.

A separate non-financial statement must be published within a maximum of eight months after the balance sheet date. The deadlines apply only exceptionally, during special circumstances caused by COVID-19.

Deferral and payment of tax in instalments

Measure 1: Payment deferral (for a period of 3 months + 3 months) and then the right to instalment repayment of this debt up to 24 months without interest – Taxpayers with a decrease in revenue between 20 % and 50 % compared to the previous year will be entitled to deferred payment of tax liabilities (for a period of 3 months + 3 months), and subsequently entitled to instalment repayment of this debt up to 24 months without interest

Measure 2: Complete write-off (for April, May and June 2020) – Available to taxpayers who have generated less than HRK 7.5 million in revenue in 2019 and have a revenue decrease of more than 50 %

Measure 3: Partial write-off (in proportion to the decrease in revenue for April, May and June 2020) - Available to taxpayers who generate more than HRK 7.5 million in revenue and have a revenue decrease of more than 50 %

The tax administration implements a full or partial exemption. The exemption does not apply to VAT, customs and excise duties, mandatory pension contributions (pillar 2), taxes and surtaxes determined on final income, gambling fees and charges, liabilities under previously concluded administrative agreements and rescheduled liabilities from pre-bankruptcy and bankruptcy proceedings.

VAT measures

- Payment of VAT upon collection

Deferred payment of VAT for taxpayers who determine the tax liability on the basis of issued invoices, namely for VAT recorded in the VAT return for March 2020 (or for the first quarter of 2020 for quarterly payments) and the VAT return for April 2020. If the special circumstances last longer, the payment deferral can be extended for another 3 months. One of the criteria to be eligible for this measure is that the taxpayer meets the conditions referred to in point 1.1 (i.e. decline in revenue). In addition, the taxpayer must prove that the VAT liability arises from invoices that could not be collected and incoming invoices that have not been settled.

- Payment of VAT on imports

Postponed accounting via VAT return is extended to all imports presuming that the taxpayer registered for VAT purposes records the VAT liability on the import as a liability in the VAT return. This measure is available for the import of goods performed until 20.6.2020.

- VAT exemption for imports of goods for donation purposes

The import of goods required to combat the effects of the COVID-19 disease pandemic shall not be subject to VAT in accordance with the conditions laid down in the Commission Decision (EU) 2020/491 of 3.4.2020.

- VAT exemption for supplies for donation purposes

The exemption is available for supplies of goods and services, made free of charge or counteraction, which are necessary to combat the effects of the COVID-19 disease pandemic and are available for supplies made until 20.6.2020.

9.3. Employment and social security measures

The employment measures are aimed at alleviating employers of paying some of the social security contributions and providing payment subsidies for workers that work in industries that faced the decline in revenue.

Social security coverage

Exemption from the obligation to pay contributions for the amount of co-financed net salary payable on the basis of the aid for job preservation paid by the Croatian Employment Service (assessed to a net salary of HRK 3,250.00 / HRK 4,000.00). Eligible for taxpayers being beneficiary of the Croatian Employment Service aid for job preservations as described in Point 1.1.

Performed ex officio by the tax administration on the basis of information exchanged with the Croatian Employment Service (HZZ). The exemption from payment of the contribution shall be affected by reducing the liability on the taxpayer's tax-accounting card. The state budget assumes all contribution obligations except the pension insurance obligation (pillar 2), which will be paid by the Croatian Employment Service (HZZ).

Useful links:

An overview of the above measures and relating legislation can be found in the following links:

- Aid for preserving jobs in activities affected by the coronavirus: https://mjera-orm.hzz.hr/ocuvanje-radnih-mjesta/
- Tax measures : https://www.porezna-uprava.hr/Stranice/COVID_19_informacije.aspx

For updated information please contact your Taxand team in Croatia at www.leitnerleitner.com.

10. CZECH REPUBLIC *(UPDATED 21.05.20)*

10.1. Tax measures

In connection with the Coronavirus (COVID-19) pandemic, the Czech government has approved stabilization and liberation packages to mitigate the impact on taxpayers and businesses. Below is a summary of the major tax measures currently available in the Czech Republic.

A. Corporate income tax

General waiver of penalties for late filing of the tax return

No sanctions for late filing of the tax return (penalties and late-payment interest) will be imposed if the tax return with an original filing deadline by 1 April 2020 is submitted by 1 July 2020 at the latest.

Cancellation of June tax prepayments

The Ministry of Finance has issued a decision on cancellation of corporate income tax prepayments due on 15 June 2020. The obligation to pay this prepayment is automatically cancelled for all taxpayers; there is no need to submit a request.

Utilization of tax losses

The Ministry of Finance has prepared a draft on carry-back of tax losses. According to the draft, tax losses incurred in 2020 and onwards may be carried back and set off against the tax liability of two preceding taxable periods. In practical terms, the loss carry-back shall be eligible via a supplementary tax return. The proposal further suggests that the time period for the carry-forward of tax losses is extended to 6 years such that tax losses can be used in the 6 following taxable periods instead of 5 taxable period as currently applicable.

B. Personal income tax

General waiver of penalties for late filing of the tax return

No sanctions for late filing of the tax return (penalties and late payment interest) will be imposed if the tax return with the original filing deadline by 1 April 2020 is submitted by 1 July 2020 at the latest.

Cancellation of June tax prepayments

The Ministry of Finance has issued a decision on cancellation of personal income tax prepayments due on 15 June 2020. The obligation to pay this prepayment is automatically cancelled for all taxpayers; there is no need to submit a request.

C. Value added tax

Individual waiver of penalties for late filing of the VAT return and the postponement of the payment

The deadlines for filing the VAT return have not been postponed. If taxpayers file the VAT return late, they can apply for a waiver of the late payment interest provided that the reasons are connected with the coronavirus pandemic. The late payment interest as well as the penalty for the late submission can be waived.

Furthermore, a taxpayer can apply for the postponement of the VAT payment based on individual request.

Waiver of penalties for the delayed submission of VAT control statements

The deadlines for filing VAT control statements also have not been postponed. A general waiver regarding the penalty of CZK 1,000 for the late submission of the VAT control statements has been approved if the penalty arises in the period from 1 March 2020 to 31 July 2020. No individual request for the waiver is necessary.

Furthermore, an individual waiver regarding penalties between CZK 10,000 and CZK 50,000 for failure to file the VAT control statement in the period from 1 March 2020 to 31 July 2020 can be granted if the taxpayer demonstrates that the reasons are connected to the coronavirus pandemic.

VAT exemption of gratuitous supplies of goods

VAT payers are exempted from duty to pay VAT on gratuitous supplies of goods or services connected with the combat against the coronavirus pandemic. The exemption is applicable on the gratuitous supplies which were delivered from 12 March 2020 until the end of the state of emergency.

D. Other tax measures

Individual waiver of postponement of tax payments

Taxpayers are allowed to apply for a postponement of any tax payment (including wage tax and withholding tax) if they demonstrate that the reasons are connected with the coronavirus pandemic.

General waiver of penalties for late filing of the real estate acquisition tax return

The Ministry of Finance has approved the application of a general waiver on the penalty for late filing of real estate acquisition tax returns that should be filed within the period from 31 March 2020 to 31 July 2020. The waiver is granted if the tax returns are submitted by 31 August 2020.

Individual waiver of penalties for late submission

Taxpayers are allowed to apply for a waiver of penalties for the late submission of any tax return if they demonstrate that the reasons are connected with the coronavirus pandemic. An individual request is necessary in these cases.

General waiver of administrative fees

A general waiver of administrative fees for filing applications regarding the above stated matters has been granted for applications submitted before 31 July 2020.

Deferral of social security contribution payments

The Czech government is proposing that the social security contributions paid by the employers for the period from May to July 2020 can be deferred until 20 October 2020. The penalty for the late payment of social insurance contributions would be reduced by 80 % provided that the social insurance contributions for employees are paid by the employer in full amount and within the original statutory deadline. *Deferral of health insurance premiums*

No late payment penalties will be imposed on health insurance premiums for the period from March to August 2020 provided that the premiums are paid by 21 September 2020.

Electronic Registration of Sales

Taxpayers are temporarily released from their obligations under the Act on Electronic Registration of Sales (EET). Sales do not need to be registered during the state of emergency and in the three-month period after the end of the state of emergency. The Czech government is currently proposing that the release of these obligations will be extended until 31 December 2020.

Cancellation of real estate acquisition tax

The Czech government is proposing that the real estate acquisition tax is cancelled. Anyone who acquired the property in December 2019 at the latest would be exempted from the obligation to pay the tax. Already paid taxes would be refunded. In this connection, the government is proposing some additional changes such as cancellation of mortgage interest deduction or the extension of the time test for the exemption of the income from the sale of real estate. The draft must be prepared by the government and approved by the Czech parliament.

E. Self-employed persons

Compensation bonus

Self-employed persons are entitled to a compensation bonus of CZK 500 per each calendar day during the bonus periods from 12 March 2020 until 30 April 2020 and from 1 May 2020 until 8 June 2020. The bonus should be granted to self-employed persons who were fully of partly unable to perform their activities due to the health risks or in connection with the emergency measures. The application for the compensation bonus must be submitted within 60 days of the end of the bonus period.

The bonus period can be extended by the Czech government until 31 August 2020.

Health and social security insurance

Self-employed persons are not obliged to pay monthly prepayments for health and social security insurance in the period from March to August 2020.

The deadlines for filing the annual statements to the health and social security insurance institutions have been postponed till 3 August 2020.

F. Useful links

Please see the link here for more information in Czech or here in English published by the Czech Financial Administration regarding the tax measures adopted in the Czech Republic.

More information regarding the compensation bonus is available on webpages of the Czech Financial Administration here.

10.2. Government support for employers – Antivirus program

The Czech government approved the so-called Antivirus program - a measure protecting companies from the effects of government restrictions as a result of the Coronavirus pandemic. The state will, via the Labour Office of the Czech Republic, compensate companies for wages from March 2020, depending on the type of the restriction of business. There are 2 types of wage compensations:

A. Plan A – Forced business restrictions and quarantine

For employee:

- in case of quarantine - wage compensation of 60% of average reduced earnings;
- in case of close of business – wage compensation of 100% of average earnings.

For employer:

- 80% state compensation of such expenses including social and health contributions, max. CZK 39,000 per month for one employee.

B. Plan B - Related economic difficulties (Impossibility to allocate work due to the order of quarantine or care for child at the significant part of employees (min. 30 % of all employees); Limitation of accessibility of inputs; Limitation of demand for the products)

For employee:

- wage compensation from 60% to 100% of average earnings based on the type of difficulties.

For employer:

- 60% state compensation of such expenses including social and health contributions, max. CZK 29,000 per month for one employee.

Ministry of Labour and Social Affairs issued the detailed manual for employers concerning Program Antivirus that can be downloaded here.

10.3. Other legal measures

A. Prohibition of termination of a lease contract

A lessor will not be able to unilaterally terminate the lease of business premises because the tenant is due with a payment of lease for the period from 12 March 2020 to the day following the end of the emergency state, but not later than 30 June 2020. A tenant is obliged to pay all these lease debts by 31 December 2020 at the latest. The

prohibition of termination of a lease contract only applies to situations where a tenant is in default in payment due to circumstances that have link to coronavirus that have substantially hindered a running of his business. This provision not apply for a payment of utility services such as electricity, natural gas, water etc.

B. Postponement of the repayment of loans

The moratorium on the repayment of loans can be used for loans contracted and drawn before 26th March 2020 The period of payment may be postponed by the length of the period of protection, which lasts from the first day of the calendar month following the day on which the lender receives the debtor´s notification of his intention to use the period of protection until 31 July 2020 (if the debtor decides to use the shortened protection period) or until 31 October 2020. During the period of protection, the interest on the loan principal keeps accruing.

C. Loans and other support

Loans and other support plans including subsidies are also available to the businesses whose activities have been affected by the coronavirus pandemic.

The Czech Republic has recently adopted a state guarantee program for loans provided by commercial banks (COVID III). The state will support companies with up to 500 employees by securing their debts in the total amount of CZK 150 billion in guarantees**.** The conditions of COVID III program are as follows:

- maximum loan amount will be CZK 50 million;
- guarantee up to 90% of the amount of the principal;
- program should not be limited to a certain territory and should thus include also entrepreneurs active in Prague.

More information regarding the state aid for companies can be found on webpages of the Czech Ministry of Industry and Trade here.

D. Financial support for lessees of non-residential premises

Czech government is currently proposing that the state will provide entrepreneurs who had to close their business premises in connection with Coronavirus measures with a financial support in the form of a reimbursement of 50% of rental costs. The lessee is entitled to the government support provided that the lessor is willing to reduce the agreed rent by 30%. Accordingly, the lessee would pay only 20% of the rent. This measure shall be valid for the period from 1 April to 30 June 2020. The state support will be paid upon submission of the request, the lease contract and the amendment to the lease contract containing the rent discount. The draft must be, however, approved by the Czech parliament.

For updated information please contact your Taxand team in the Czech Republic on the following link: www.leitnerleitner.cz

11. FINLAND *(UPDATED 21.05.20)*

The Finnish Government, in cooperation with the President of the Republic, declared state of emergency in Finland over the COVID-19 outbreak on 18 March 2020 and decided on additional measures to address the COVID-19 outbreak. The Government and the competent authorities have been and will implement the decisions and recommendations (listed below) in accordance with the Emergency Powers Act, the Communicable Diseases Act and other legislation.

This presentation summarizes tax and other relevant measures for companies and other businesses.

11.1. Tax measures

Due to the difficulties caused by coronavirus pandemic to entrepreneurs and companies, the Finnish tax authorities (FTA) have granted the following reliefs concerning filing or paying of taxes:

- ***Possibility to request more time to file in income tax returns and removal of late-filing penalty***
  - Corporate taxpayers have been provided with one month extra time to file in their income tax returns due to COVID-19. This extra month does not need to be separately requested, and no late-filing penalties are imposed for tax returns filed during the month. The exception applies to companies whose accounting period has ended between December 2019 and February 2020.
  - Taxpayers are provided with a possibility to request more time for filing the income tax returns, if necessary. The additional time may be given if the taxpayer have a justified reason, e.g. illness, which have prevented the taxpayer from filing the tax return in time.
  - Moreover, if the taxpayer files the tax return late due to a justified reason (e.g. illness), the taxpayer may request that the late-filing penalty will be removed.
- ***Temporary refund of VAT to the companies***
  - The Finnish Government has proposed 24 April 2020 that VAT paid by companies at the beginning of 2020 could be returned to companies and treated as a loan.
  - In accordance with the proposal, the prerequisite for the measure would be that the refunded and postponed value added taxes must be repaid to the State within two years. Therefore, the refunded VAT would take a form of a loan, and the companies could borrow already remitted value added taxes from the State. The Government has not announced an exact time-frame relating to the proposal.
- ***Possibility to request for a removal of late-filing penalty relating to VAT returns***
  - At this time, the FTA does not grant more time for filing VAT returns or other tax returns for self-assessed taxes.
  - However, there is a possibility to request late-filing penalty to be removed also in the event that a VAT return or other self-assessed tax return is filed late.
- ***Temporary exemption of import duties and VAT***
  - In accordance with the Commission Decision (2020/491) medical devises are admitted free of import duties and exempted of VAT on the imports if the devises are imported by State, State institution or other institution under public law, or by or for an institution confirmed by an authorized authority. The exemption will cover, for instance, respirator masks and protection equipment. The exemption is valid between 30 January 2020 – 31 July 2020.
  - The exemption will be applied if the following conditions are fulfilled:
    - the distribution of above goods is free of charge for the persons affected by or at risk from COVID-19 or involved in combating the COVID-19 outbreak or

- the devices are being made available free of charge to the persons affected by or at risk from COVID-19 or involved in combating the COVID-19 outbreak while remaining the property of the bodies and organizations referred to above.

- Furthermore, the exemption applies to goods that are imported by the organizations of emergency aid or on behalf of them, in order to fulfill their needs during the period that the organizations are offering emergency aid to persons which are affected by or are at risk from COVID-19 or which are participating in beating the COVID-19 epidemic.

- ***Payment arrangement with eased terms and removal of late-payment interest***
  - The companies having temporary financial difficulties may request for a payment arrangement with eased terms. The eased terms will apply to payment arrangements that have been requested between 25 March and 31 August.
  - Under the new terms, the first instalment of the payment arrangement will fall due in three months after the arrangement has become active (instead of one month).
  - In accordance with a ratified legislative amendment, the rate of late-payment interest on taxes included in a payment arrangement will be lowered from 7% to 4%. The lowered interest rate will only apply to taxes that are included in a payment arrangement and that fall due after 1 March 2020. The temporary act will apply until 31 August 2020.
  - If the company already has a payment arrangement and has financial difficulties caused by the coronavirus, there is a possibility to request a new payment arrangement with eased terms.
  - In addition, companies having temporary financial difficulties may request for a removal of late-payment interest incurred due to illness or other special reason.

- ***Possibility to make amendments to the tax prepayment amounts***
  - If the actual income or expenses differ from the company's previous estimate, it is possible to request a change to the tax prepayments.

11.2. Social measures

- ***Temporary amendments to lay-off rules***
  - Under Finnish employment legislation, the employer may lay off employees if the work or the employer's potential for offering work have diminished temporarily. Lay-offs may be carried out by interrupting the work completely or by reducing an employee's regular working hours.
  - The new temporary rules concerning lay-offs provide the employee a shortened notice period of five days instead of 14 days, before the lay-off may be carried out. Applicable collective agreements (if any) should, however, be taken into consideration. Further, the consultation obligation to employers employing more than 20 employees is temporarily adjusted accordingly.
  - The new temporary rules also provide employers with extended lay-off right to fixed-term agreements.

- ***Pension contributions***
  - A temporary reduction for employment pension contributions (2.6%) was accepted by the Finnish Parliament as of 1 May 2020 until 31 December 2020. The effect of the reduction is planned to recover during the years 2022-2025 by increasing the respective employers' contributions.
  - Employers and entrepreneurs may also extend the payment of pension contributions by three months without interest upon a specific request to be made to the applicable pension insurance

company. The extended payment term is applicable to invoices due between 20 March 2020 and 30 June 2020.

- ***Allowance for quarantined persons***
  - The Finnish Communicable Diseases Act includes provisions on the possibility to order quarantines and on the compensation to the employee who has been put in quarantine by a certain qualified physician employed by the public sector. In case the employee is put in quarantine, he/she is entitled to receive communicable disease allowance from the Finnish Government compensating the loss of income. In a case the employer continues to pay salary, e.g. according to sick pay policies, to the employee, the employer is entitled to receive the allowance.

- ***Temporary financial support for a parent looking after a child at home***
  - The Finnish Government has proposed the creation of a new social benefit, which has been approved and entered into force 1 May 2020. The social benefit will be payable to parents who have to take unpaid leave in order to provide care for their child at home during the coronavirus outbreak. The benefit will also be available to persons who return to Finland from another country and are placed in conditions equivalent to quarantine. The benefit is only available for 14 days calculated from the date on which a person returned Finland.
  - The benefit would be equal to the minimum allowance for parents, or EUR 28.94 for each working day (EUR 723.50 per month). It is available starting from 16 March 2020 and will remain available for a maximum of school term. .
  - The new benefit is available to
    - parents of children in early childhood education who have to take unpaid leave from work in order to provide care for their child at home
    - parents of children in the first to third year of primary school who have to take unpaid leave from work in order to provide care for their child at home
    - parents of children with special educational needs, extended compulsory education and preparatory education are also entitled to the benefit if the parent must have taken unpaid leave from work in order to provide care for their children at home.
    - persons who have returned to Finland from another country, have been placed in conditions equivalent to quarantine and have to take unpaid leave from work.
  - The enabling Act of Parliament will be in force for a specified period of time.

- ***All the events for over 500 people are prohibited until 31 July 2020***
  - The prohibition concerns all types of events from business to leisure time and therefore, the sport events, concerts and business events must be cancelled. Also, only gatherings not exceeding fifty people are permitted as of 1 June 2020 (before 1 June 2020 only gatherings of maximum 10 people are permitted).
  - Also, the schools were closed until 13 May 2020 but were reopened on 14 May 2020. All the restaurants and cafes remain closed until 31 May 2020 after which the restaurants and cafes may be reopened gradually. However, some limitations will remain, e.g. the restaurants and cafes are allowed to fill only half of the seats inside of the restaurant or cafe.

11.3. Financial measures

- ***Financing for small and medium-sized enterprises***
  - Finnvera, a state owned enterprise financing company, is allowed to increase its financing to Finnish SMEs from the current level of EUR 2 billion to 12 billion. Finnvera is taking a flexible approach towards payment arrangements. Moreover, Finnvera is ready to significantly increase SME corporate financing.
  - In terms of existing bank loans granted by Finnvera, a company can apply for a six-month instalment-free period. The company will only pay the interest and expenses during this period. In principle, Finnvera does not increase the guarantee commission of the guarantee granted to bank loan. However, if the amount of guarantee is over EUR 300,000 or the company has applied for state subsidy from other sources, state aid rules may require an increase of the price. This will be checked on a case-by-case basis.
  - SMEs can apply for new guarantees for working capital loans for needs caused by the coronavirus.
- ***Financing for start-up companies and development projects***
  - Business Finland should have around EUR 150 million from the supplementary budget. Business Finland views the changes in the project times and loan times of ongoing projects very positively and aims to be flexible in all of its operations. A new financial service is planned that will enable companies to explore and plan new business activities, alternative supply chains, and the reorganization of production and working methods in the current situation caused by the coronavirus and thereafter.
  - ELY Centers will be flexible about changes to the content and implementation schedules of companies' business development projects. ELY Centers should be provided with a EUR 50 million supplementary budget. Plans of applicable subsidy schemes have not been made public yet.
- ***Financing for self-employed entrepreneurs***
  - Self-employed entrepreneurs have a possibility to apply for supplementary benefit of EUR 2000 due to COVID-19. Municipalities may grant the supplementary benefit for the applicant but no preconditions for granting the benefit have been announced yet.
  - Self-employed entrepreneurs can also apply for unemployment protection.
- ***Temporary restriction on creditors to seek companies bankruptcy***
  - The Finnish Government has passed a draft bill according to which the right of creditors to seek a company bankruptcy would be temporarily restricted due to COVID-19 outbreak. Pursuant to a draft bill, the insolvency of the company must have long-term nature in order a creditor to file for bankruptcy. The legislative amendment has been approved by the President of the Republic of Finland and entered into force 1 May 2020.
  - Due to COVID-2019 breakdown many companies with relatively stable and prosperous businesses have been facing serious difficulties with their economics. Therefore, the Minister of Justice has announced that all the so-called unnecessary bankruptcies should be avoided, and by means of contemplated amendments the companies are provided more time to survive the current challenges.
  - The Act will be applicable until 31 October 2020.

- ***Companies may be entitled to interest-free term of payment granted by Authorities***
  - The Ministry of Finance has announced a statute according to which authorities may grant interest-free payment time for up to three months on public service payments exceeding EUR 100.
    The amendment will be temporary and remain in force until the end of August 2020.

- ***Special financial support provided for restaurants***
  - The Finnish Government has passed two complementary bills (HE 67/2020) in order to support companies operating in the restaurant industry.
  - The support for re-employment: By means of finance for re-employment, the restaurants would become more prepared and capable of re-employing employees, reaching the same number of employees as before the COVID-19 lockdown, after the restaurants reopen. The anticipated amount of support would be EUR 1,000 per an eligible employee. The support would be paid of the employee to which the company pays wages EUR 2,500 at the minimum during the next following months.
  - The compensation for the period of restrictions: The proposed compensation has been targeted to companies in the restaurant sector in order to compensate rental and other inflexible costs. The amount of compensation would be proportioned to the specific restaurant company's change of sales. In accordance with the proposed bill, only those companies would be entitled to the compensations whose sales in the April 2020 were lower than the average sales in January and February. In proportion to these items, a reasonable compensation of 15% would be paid if the average sales of the company in January-February did not exceed EUR 1 million. Compensation concerning the sales exceeding EUR 1 million would be 5% based on the advantages of scale and the bargaining power of large companies. The maximum compensation would be EUR 500,000 per a restaurant.

11.4. Legal measures

- ***Possibility to postpone companies' and associations' Annual General Meetings***
  - To address the challenges that Finnish companies are facing with hosting their Annual General Meetings within the time limit, the Ministry of Justice proposed on 16 April 2020 temporary legislation that would allow companies, cooperatives and associations to hold their statutory meetings despite the coronavirus epidemic and the related restrictions on gatherings. The temporary regulation has been approved and will remain in force until the end of September.
  - In accordance with the temporary legislative amendment, companies, cooperatives and associations specified in the law may postpone their annual meetings until the end of September 2020. Companies should, however, prepare their financial statements by the end of June at the latest. The legislative amendments will, for instance, also facilitate the organization of annual general meetings by allowing mandated remote participation and the use of proxies, or by allowing the shareholders to exercise their rights at the meeting remotely by mail or telecommunications.

Useful links:

- https://www.eduskunta.fi/EN/Pages/default.aspx
- https://www.vero.fi/en/About-us/

For updated information please contact your Taxand team in Finland at https://www.borenius.com

12. FRANCE *(UPDATED 21.05.20)*

The emergency bill n° 2020-290 to deal with the Covid-19 pandemic promulgated on March 23rd empowers the French Government to implement the measures previously announced through ordinances.

This presentation summarizes the tax, social and economic support measures for businesses as announced by the emergency bill to address the epidemic of Covid-19 and specified by the order dated April 2nd, 2020.

12.1. Tax measures

Deferred payment and payment extensions for tax deadlines

Relevant companies: all companies subject to direct taxes (CIT, EAVC, ELC, ST);

- Companies may benefit from the measures described below regardless of their cash position. However, the government is encouraging companies that do not have difficulties to meet the deadlines initially set in the name of national solidarity.

Deferred payment of the CIT instalments from March 15th to June 15th for all companies without any conditions:

- If the CIT instalment has not been paid yet: possibility to reject the direct debit at the bank or online;
- If the CIT instalment has already been paid: possibility to ask for a refund to the competent tax services.

In practice: fill in the form provided by the DGFIP, specifying in the « amount » box in part **1) Deferral of tax payment** « *instalment already paid for refund* ».

EAVC, ELC and property tax payments: possibility to suspend payments on the business tax account.

Withholding tax for self-employed workers: possibility to modulate the rate and the instalments of withholding tax and or to defer the payment of the instalments of withholding tax on professional income from a monthly to a quarterly payment or from a quarterly to a bi-annual payment.

Possibility to obtain tax rebates, penalties and interest rebates for late payment if the deferrals are not sufficient in view of the company's difficulties, provided that concrete information is provided on the company's financial situation (box 2 of the form provided by the DGFIP).

Taxes not covered by these measures:

- VAT
- income tax of employees (withholding tax)
- excise duties on wine and spirits.

NB: With regard to VAT, the Ministry of Action and Public Accounts specified at a conference held on March 19th that deferred payments could be considered on a case-by-case basis (proven difficulty) for VAT invoiced but not collected by the debtor.

The Government announced that these exceptional measures will be renewed in April.

Schedule of upcoming tax deadlines reported

		Initial deadline	Extended deadline
Corporate income tax (CIT)			
2019 Balance	Balance statement (2572)	May 15th	June 30th at the latest
	Payment	May 15th	June 30th at the latest
2019 Tax package (including financial years ending january and february)	Companies subject to CIT	May 20th	June 30th
	Companies subject to IIT (employment, business, real estate and agricultural income)	May 20th	June 30th
	Associations (2070)	May 5th	June 30th
	Civil real estate companies ("SCI") (2071)	May 5th	June 30th
	Civil real estate companies ("SCI") (2072)	May 20th	June 30th
	Tax group perimeter	May 5th	June 30th
Individual income tax (IIT)			
2019 Income statement	Employment, business, real estate and agricultural income	12 juin	June 30th (if dematerialised)
Enterprises' Added Value Contribution (*"CVAE"*)			
2019 Balance	1329-DEF Return	May 5th (**maintained for creditors**)	June 30th at the latest (**for debtors**)
	Payment	May 5th	June 30th at the latest
2019 Breakdown	1330 Return	May 20th	June 30th
Others			
DAS2 / Copyrights	Declaration	May 15th	June 30th
Audiovisual public contribution	Declaration and CA3 payment	April 15th-24th (Extended by 3 months for accommodation and food service industries)	July 15th-24th

Note :

- *The deadline for the submission of declarations regarding the 3% tax on market value is not affected.*
- *The deadline for the filing of these declarations therefore remains May 15th, but the authorities confirmed that there will be no sanctions in the event of material or administrative difficulties in gathering the information necessary for the preparation of the declarations (especially if no payment is involved).*

Measures regarding VAT

Tolerance on scanned paper invoices sent by e-mail:

In principle, an invoice originally designed on paper and then scanned, sent and received by e-mail is not an electronic invoice but a paper invoice.

However, as a measure of tolerance, this type of invoice may be sent by e-mail by any supplier to his customer without the need to send the corresponding paper invoice by post. The customer may exercise his right to deduct on the basis of this single invoice issued in paper format and then scanned.

The authorities point out that controls establishing a reliable audit trail must be put in place by taxpayers who issue and/or receive these paper invoices.

The customer may also keep the paper invoice received by e-mail in PDF format. At the end of the state of health emergency, it will be up to the customer to keep it on paper by printing it or to scan it in accordance with the provisions of Article A.102 B-2 of the French Tax Procedural Code (invoice in PDF format with a server stamp, digital print, electronic signature or any equivalent security device).

Exemption from regularisation of VAT initially deducted on health equipment:

The exemption applies to health equipment (masks, hydroalcoholic gels, protective clothing and respirators) manufactured, purchased, acquired within the EU or imported, that are donated by

companies to health establishments, social and medico-social establishments, health professionals, as well as State and local authority services.

The exemption from regularisation shall also apply to self-delivery.

The benefit of this tolerance is not subject to the issuance by the beneficiary of the donation of a certificate drawn up in accordance with the procedures described in the administrative comments (*BOI-TVA-DED-60-30*). However, the donating company must keep the necessary information to support its accounting records, such as the date of the donation, the name of beneficiary, and the nature and the quantities of goods donated.

VAT returns

In principle, no deferral of payment or remission of VAT duties is granted to companies.

However, in the event that the company is unable to gather all the documents needed to draw up its VAT return (**normal scheme**) in the current context of confinement, the authorities will implement a declaration system based on a tax assessment.

The company can thus make a simple **estimate of the amount of VAT** due for a month and pay a deposit corresponding to this amount the following month. The **permissible margin of error is 20**%.

In addition, the authorities authorise companies **that have experienced a drop in** turnover due to the Covid-19 crisis to pay a flat-rate amount of VAT in the following cases:

- **Returns for March filed in April**:
  - By default, **80%** of the VAT for the month of February. If the company already used an advance payment the previous month, the 80% flat rate is calculated on the amount declared for January;
  - If the activity is stopped since mid-March (total closure) or in very strong decline (estimated at 50% or more), flat rate of 50% of the amount declared for February. If the company has already used a down payment the previous month, the 50% flat rate is calculated on the amount declared for January.
- **Returns for April filed in May**: same arrangements as for April if the containment period is extended and makes it impossible to declare regularisation at that date.
- **Regularisation declaration**: regularisation of the VAT due on the basis of the actual elements derived from the activity over all the previous months paid in the form of advance payments, with the advance payments charged to the account.

Reduction to 5.5% of the VAT rate (2nd Amending Finance Law published on April 26th, 2020)

- **Products concerned:**
  - **Masks and protecting clothings** suitable for the fight against the spread of the covid-19 virus **for the period from March 24th, 2020 to December 31st, 2021** (new article 278-0 K bis of the FTC)
  - **Products intended for personal hygiene** suitable for the fight against the spread of the covid-19 virus for the period from **March 1st, 2020 to December 31st, 2021** (new article 278-0 K bis of the FTC)
- **A decree dated May 7th, 2020** details the characteristics of the products concerned and confirms that the text is applicable:
  - To the **supply of goods** (sales in France) and **intra-Community acquisitions** as of March 24th for masks and as of March 1st for personal hygiene products.

- To imports of masks and personal hygiene products from the day after the publication of the text (i.e. April 27th, 2020).

- **Protective masks:** the reduced VAT rate applies to masks for sanitary and non-sanitary use:
  - In the case of masks **for sanitary use**, the reduced rate of 5.5% applies:
    - To masks "intended to protect the wearer against inhalation of droplets", as defined by standard EN 149+A1:2009 for efficiency classes FFP1, FFP2 or FFP3 or by a foreign standard recognized as equivalent for these classes, provided that they do not include an exhalation valve;
    - To masks "intended to protect the wearer's environment by preventing the projection of droplets emitted by the wearer", as defined by standard EN 14683+AC:2019 or by a foreign standard recognized as equivalent.
  - In the case of masks for non-sanitary use, the reduced rate of 5.5% shall apply:
    - If they meet the following performance levels:

      - The filtration efficiency of 3 micrometer particles is greater than 70%;

      - Breathability allows a wear time of four hours;

      - Air permeability is greater than 96 liters per meter square per second, for a vacuum of 100 Pascal..
    - The shape allows for a facial fit with nose and chin coverage and does not include sagittal stitching.
    - They are reusable and the performance levels mentioned above are maintained after at least five washes.
    - In addition, when marketed, these masks must specify:

      - The minimum number of washes;

      - The filtration performance;

      - And be accompanied by an instruction manual.

The conditions for verifying the above characteristics are set out in the appendix to the decree.

As the texts currently stands, the reduced rate of 5,5% does not apply to visors nor face shields. With regard to protective clothing, work is still in progress in order, if necessary, to complete the decree.

- **Products intended for personal hygiene:** the reduced rate of 5.5% also applies to products having the following cumulative characteristics:
  - They fall within product-type 1 as defined in Annex V to Regulation (EU) No 528/2012 of May 22nd, 2012 on the placing on the market and use of biocidal products. Products in this category are "biocidal products used for human hygiene, applied to or in contact with the human skin or scalp, with the main purpose of disinfecting the skin or scalp" ;
  - They are intended for the rapid and effective inactivation of viruses present on the skin;
  - They comply with one of the following conditions:
    - The product complies with standard EN 14476;
    - The product contains, in a concentration expressed in volume greater than or equal to 60% in the final product, one of the following active substances: ethanol, propan-1-ol or propan-2-ol.

Tax audits and collections

The order n°2020-306 on the extension of time limits during the health emergency period and the adaptation of procedures during the same period provides details on the procedures for conducting tax inspections and collecting tax claims.

Suspension of time limits for tax audits:

- **Suspension of the limitation and recovery periods** expiring on **December 31st, 2020** for a period equal to the period between March 12th, 2020 and June 23rd, 2020.
- Suspension during the same period for the taxpayer and for the services of the tax administration of **all time limits provided for the conduct of control** and investigation procedures in tax matters
  - No decision of the administrative authority is required for this suspension to apply.
  - Declarations used for the assessment, assessment basis, liquidation and recovery of duties and taxes are not affected by suspension or deferral measures.

The time limits applicable to the recovery and contestation of public claims provided for under penalty of nullity, lapse, foreclosure, limitation, unenforceability or forfeiture of a right or action shall be suspended*:*

- All receivables for which the public accountants are responsible for recovery are concerned
- The applicable deadlines are suspended from March 12th, 2020 to June 29th, 2020 increased by two months (**i.e. in principle from March 12th, to August 23rd, 2020**.)

Other tax measures

Possibility of obtaining tax rebates, penalties and interest on arrears if the deferrals are not sufficient in view of the company's difficulties, provided that concrete information is provided on the company's financial situation (box 2 of the form provided by the DGFIP).

Invoices awaiting payment from public services:

- Commitment by the administration to speed up the repayment of outstanding debts (CIR, VAT credits, etc.) and the payment of invoices awaiting payment by the State, local authorities and public bodies.
- Practical modality: Companies can use box 3 of the form provided by the DGFIP.

Payment of withholding taxes (WHT) on dividends and remunerations subject to Article 182 B of the FTC:

- Possibility to exceptionally apply the WHT reduced rates provided by the treaties, notwithstanding the absence of tax residence certificate for the recipients of the income.
- The companies levying the WHT will then have to collect these certificates and make any adjustments to the following returns if the rates applied appear to be incorrect on the basis of the certificates.

  Note: No specific deadline for the filing of a declaration or payment of the WHT is contemplated.

Partnerships opting for CIT

- **In principle,** the option must be exercised **before the end of the third month of the financial year** in respect of which the company wishes to be subject to this tax for the first time (i.e. March 31st, 2020 for a partnership which closed its financial year on December 31st, 2019 and which wishes to be subject to corporation tax as from January 1st, 2020);

- In order to take the current health crisis linked to the Covid-19 epidemic into account, the authorities indicate that an **additional delay** may be granted by the tax department of the managing companies, at the request of the companies concerned, if they justify that they are unable to pass on their option within the aforementioned period, due to the closure of their accounting firm or premises.

Option for tax consolidation

- In principle, the deadline shall be the last day of the third month following the end of the financial year or, for financial years which coincide with the calendar year, the second working day following May 1st.
- The administration has indicated that companies with calendar year fiscal years will be able to opt in **until June 30th, 2020**.

Increase to € 7,500 of the income tax exemption ceiling applicable to remuneration received for overtime work by employees since March 16th, 2020 (beginning of the confinement), and until the end of the state of health emergency (2nd Amending Finance Law adopted on April 23rd, 2020)

- The € 5,000 ceiling for remunerations received for hours worked other than during the period while the state of health emergency is maintained.

Extension of the principle of deductibility of article 39, 1-8 ° of the FTC to any rent or ancillary costs waived by the creditor, even outside insolvency proceedings (new article 39,1-9 °):

- The measure applies to rents waived between April 15th, 2020 and December 31st, 2020.
- Elements waived within the conditions and limits set out in the new Article 39, 1-9° of the FTC are not subject to taxation for the creditor
- The element waived remains subject to taxation for beneficiary taxpayers subject to CIT. The beneficiary company may increase the limit of € 1m provided for the use of tax losses up to the amount of debt waived.
- When the tenant company is operated by an ascendant, a descendant or a member of the lessor's tax household, the benefit of the provisions of this article is subject to the condition that the lessor can justify by all means the company's cash difficulties.
- Only the cancellation of rent shall be considered a waiver.

Which measures granted by the lessors are concerned?

- **The suspension of rent** should not be considered as a waiver from a tax perspective (the lessor should not recognize a loss);
- **In the event of rent free**, two accounting methods are possible:
  - Record rents according to contractual deadlines; this accounting method is justified when the unequal rents reflect an inequality in the service provided. In the event a franchise is granted, this approach results in no recognition of revenues during the rent-free period;
  - Spread the fees and rents over the duration of the contract; this method is justified in the case of a contract which provides for a rent-free period simply being an extension of the deadline. This approach results in the recognition of an income corresponding to part of the future rents during the rent-free period.
- **The cancellation of rent** should be considered as a waiver from a tax perspective (recognition of a loss).

The Government has announced in a press release dated April 24th, 2020 that it would discuss with local authorities the modalities of exemption from the **flat-rate part of the tourist tax** for the year 2020.

Aid paid by the Solidarity Fund to businesses: this aid is exempt from corporation tax, income tax and all legal or conventional social security contributions and levies.

Increase from € 537 to € 1,000 in the ceiling for donations to associations allowing a reduction in income tax equal to 75% of the sums paid.

Increase in short-term export credit insurance from € 2 to € 5 billion.

12.2. Social measures

Deferral of all or part of employee and employer contributions

Relevant social contributions: all social taxes and contributions to be paid to the URSSAF (employers' and employees' contributions) by March 15th, 2020 and in particular:

- Social security contributions (sickness, maternity, invalidity and death, old age, family, work accidents and work diseases);
- Autonomous solidarity contribution ("*CSA*");
- Social contributions ("*CSG*" and "*CRDS*");
- Unemployment insurance contribution;
- Salary guarantee contribution.

Terms of the deferral:

- As of right and not sector-based (no justification to be provided to the URSSAF);
- Deferral up to 3 months without penalty or late payment surcharge;
- Possibility for the employer to not opt for the deferral of the contributions with a payment of the employee's contributions and spacing out of the employer's contributions as usual.

Procedure:

- **URSSAF deadline of March 5th, 2020**: no practical arrangements planned for amending the *Déclaration Sociale Nominative* ("DSN" form) afterward. However, it seems to us that it is possible to request a gracious refund of contributions already paid without changing the content of the DSN return.
- **URSSAF deadline of March 15th, 2020:** possibility for employers to modulate their payments according to their needs (amount at 0 or corresponding to a part of the contributions).
  - If the employer has not yet submitted online the DSN for the February 2020 payroll: possibility of submit it up to March 16th (included) by modulating the SEPA direct debit.
  - If the employer has already filed the February 2020 DSN: possibility to modify it by filing a "cancel and replace" DSN up to March 15th (included) or to modify the payment without modifying the DSN according to an exceptional procedure available on the URSSAF website up to March 19th at noon.
  - If the employer pays the contributions without the DSN (for example via employment service company vouchers): possibility to adapt the amount of the bank transfer or not to make the transfer.
- **URSSAF deadline of April 5th, 2020:** possibility for employers to modulate their payments according to their needs (amount at 0 or corresponding to part of the contributions).
  - If the employer pays his contributions outside the DSN, by bank transfer: possibility of adapting the amount of his transfer, or not to make a transfer at all;

- If the employer pays its contributions via the DSN: the employer must forward the March 2020 DSN by **Monday April 6th, 2020 at noon** and can modulate its SEPA payment within this DSN.

- **In the event of a current deadline agreement with URSSAF**: failure to comply with payment of the time limit schedule automatically leads to the postponement of that current due date, without penalty and without any request to be made by the contributor.

- **Note: These exceptional measures are renewed regarding the URSSAF deadlines of April 15th, May 5th, and May 15th, 2020.**

Deferral measures for the self-employed

- The contributions to be paid on March 20th will not be levied by the URSSAF, but the amount will be smoothed over subsequent due dates, unless there are contrary measures implemented in the future (May to December);
- In addition, self-employed workers may ask for:
  - Payment extensions (including in advance) without any surcharge or penalties;
  - An adjustment of their contribution payment schedule to take account of a decrease in their income;
  - The intervention of the Social Action ("*Action Sociale*") for the partial or total coverage of their contributions or for the allocation of an exceptional financial aid.

Deferral measures for the Very Small Enterprises (VSEs):

- If the declaration for February (due on March 31st ,2020) has already been filed: possibility to modify the declaration and to modulate the due amount at 0, so that no contribution will be levied;
- If the declaration for February has not been filed: possibility to file the declaration until March 31st ,2020 with an amount at 0, so that no contribution will be levied;
- In addition to these measures, VSEs may apply to the Social Action for the partial or total coverage of their contributions or for the allocation of an exceptional financial aid.

AGIRC - ARRCO contributions (deadline of March 25th, 2020)

A mechanism similar to the one set up for the URSSAF, i.e. an automatical deferral of employers' and employees' contributions **is being implemented.**

Relevant contributions:

- AGIRC-ARRCO supplementary pension contributions;
- General balancing contribution AGIRC-ARRCO;
- Exceptional and temporary contribution AGIRC-ARRCO;
- APEC contribution due for other executives.

Even when the URSSAF contributions have been paid on March 5th or March 15th, the companies may defer payment of their AGIRC-ARRCO contributions :

If the SEPA payment was submitted in the DSN: possibility to revise downwards the AGIRC-ARRCO amount initially indicated in the DSN or to request its cancellation.

NB: This action must be carried out via the **Cotizen** online service by Thursday March 19th, 2020 at the latest in order to be taken into account before the deadline of March 25th.

For companies paying their contributions by bank transfer, they have until March 25th, 2020 to modify the amount of their payment afterwards.

If the company pays the AGIRC-ARRCO contributions without the DSN (for example via employment service company vouchers): possibility to adapt the amount of the payment according to its needs.

Companies that have not yet filed the **February 2020 DSN** (deadline on March 5th or March 15th): possibility of filing the DSN by adapting the amount of the AGIRC-ARRCO payment (amount at 0 or corresponding to a part of the contributions).

Note: The URSSAF authorities indicated that a postponement or agreement on a later deadline is also possible for the complementary pension contributions for April and May 2020.

Easier recourse to part-time activity

Shorter processing time for the prior request for a part-time activity authorization

- Companies may apply for the part-time activity scheme under exceptional circumstances (Article R. 5122-1 of the French Labor Code), specifying in particular the reasons justifying the recourse to part-time activity, the foreseeable period of under-activity and the number of employees concerned.
- The setting up of the part-time activity is subject to a prior request which is normally processed within 15 days maximum.
- The government has specified that requests related to Covid-19 will be processed on a priority basis within 48 hours. If there is no response within 15 days, the request for part-time activity will be considered to be accepted.

Compensated short time working

- In practice, a company that implements short time working pays its employees 84% of their net hourly wage and the allowance must be at least equal to the minimum wage.
- The allowance is reimbursed by the State under certain conditions provided by Decree n° 2020-325 from March 25th, 2020 on part-time activity:
  - The allowance is not a lump sum anymore but is now proportional to the remunerations of employees (articles R.5122-12 and D. 5122-13 of the French Labour Code);
  - It covers 70% of the gross remuneration and is limited to 4,5 times the minimum wages with a minimum of 8,03 €, regardless of the company's workforce;
    - The 8.03 € limit does not apply to apprentices and employees working under a professionalization contract ("contrat de professionnalisation"). Benefit of the allowance is extended to employees whose working time is determined on the basis of hours or days per year. A Decree will provide more information regarding calculation of the allowance paid to the employer in such case in the upcoming days
- The Government has announced in a press release dated April 24th, 2020 that it would discuss with local authorities the modalities of exemption from the flat-rate part of the tourist tax for the year 2020.

Arrangements for compensating executives for part-time activity

- Pursuant to Decree 2020-522 dated May 5th, 2020, in order to calculate the amount of partial unemployment benefit and partial activity allowance, it is necessary to:
  - Determine the monthly reference remuneration;
  - Calculate the hourly amount serving as the basis for calculating the allowance;
  - Determine the number of hours for which compensation can be paid.
- **The monthly reference remuneration** corresponds to the average gross remuneration received during the last 12 calendar months prior to the first day of partial employment within

the company or institution. If the employee has worked less than 12 months, all the calendar months worked must be taken into account.

- **The hourly reference amount** used to calculate the allowance shall be determined by dividing one-thirtieth of the amount of the monthly reference pay by 7 hours.
- **A non-working day corresponds to 7 non-working hours:** the number of compensable non-working hours is obtained according to the conversion of hours applicable to employees in fixed days or hours over the year:
  - **Half a non-working day** corresponds to 3,5 non-working hours;
  - **One non-working day** corresponds to 7 non-working hours;
  - **One non-working week** corresponds to 35 non-working hours.

Days of paid leave and rest taken during the period shall be deducted from these hours, as well as public work holidays which correspond to working days, after converting these days into hours in the same way.

Arrangements for compensating workers of umbrella companies (« Sociétés de portage »)

- **Exceptionally, until December 31st, 2020**, for employees on permanent contracts, periods without company benefits entitle them to the indemnity and partial activity allowance according to the following calculation methods:
  - **The number of compensable hours** corresponds, within the limit of legal working hours over the period in question, to the average monthly hours or days worked during the 12 calendar months preceding the first day of partial employment within the company. If the employee has worked less than 12 months, all the calendar months worked must be taken into account. A day worked corresponds to 7 hours worked;
  - **The monthly reference remuneration** used to calculate the indemnity and the partial activity allowance corresponds to 75% of the monthly value of the social security ceiling for a full-time equivalent activity (i.e. €2,571 in 2020). When the average monthly hours worked are less than a full-time equivalent activity, the monthly reference remuneration is corrected in proportion to the average monthly hours worked and in relation to the legal working time over the period in question;
  - **The hourly amount** used to calculate the allowance is determined by comparing the amount of the monthly reference pay to the average monthly hours worked. One working day corresponds to 7 working hours.

Emergency leave measures

The emergency measures relating to holidays and working hours are specified in the **order n°2020-323 on emergency measures relating to paid holidays, working hours and rest days.**

Paid leave: the employer may unilaterally impose or change the dates on which part of the employee's paid leave is to be taken by derogating from the notice periods laid down in the Labour Code and in the collective agreements and conventions applicable in the enterprise:

- The possibility of imposing / modifying the dates on which paid holidays are taken is subject to a **company or branch agreement.**
- In addition, this agreement may authorize the employer:
  - to split leave without the employee's consent, and
  - to fix the dates of leave without being obliged to grant simultaneous leave to spouses or partners bound by a civil solidarity pact working in the same company.

- The number of days of leave imposed/modified by the employer is limited to a maximum of 6 days
- The employer must respect a notice period of one clear day
- The period of leave imposed or modified may not extend beyond December 31st, 2020

Days of reduced working time, rest days provided for in flat-rate agreements and rest days assigned to the time savings account:

- The employer may impose or unilaterally modify, on dates determined by him, the taking of rest days at the choice of the employee who has acquired them
- The employer must respect a notice period of at least one clear day
- The total number of days of rest that the employer may require to be taken or may change the date of rest is limited to a maximum of 10 days
- The period for the taking of rest days imposed or modified may not extend beyond December 31st, 2020

Emergency measures concerning working hours and days of rest

The measures described below concern **companies in sectors particularly necessary for the security of the nation or the continuity of economic and social life.**

- The companies concerned will be defined by decree.

Working time measures:

- The **maximum daily working time** (ten hours) may be extended to **twelve hours.**
- The **maximum daily working time** performed by a **night** worker (eight hours) may be extended to **12 hours,** subject to the granting of compensatory rest equal to the excess of the maximum duration provided for in the Labour Code.
- The **daily rest period** (eleven consecutive hours) may be reduced to **nine consecutive hours** subject to the granting of compensatory time off equal to the duration of the rest the employee was unable to take.
- The **maximum weekly duration** (forty-eight hours) may be extended to **sixty hours.**
- Any employer making use of at least one of the permitted derogations must inform the Social and Economic Committee and the Regional Director of Enterprise, Competition, Consumer Affairs, Labour and Employment without delay and by any means.
- The implemented derogations will cease to have effect on **December 31st, 2020.**

Measures concerning Sunday rest:

- Employers may derogate from the Sunday rest rule by allocating the weekly rest period in shifts.
- This derogation also applies to companies which provide companies in sectors which are particularly necessary for national security or for the continuity of economic and social life with the services necessary for the performance of their principal activity.
- The implemented derogations will cease to have effect on **December 31st, 2020.**

Other social measures

Adjustment of the payment deadlines for profit-sharing and incentive payments:

- For companies with a financial year corresponding to the calendar year, these sums should be paid to the beneficiaries or allocated to an employee savings plan or a blocked current account before June 1st, 2020.
- The order n°2020-322 temporarily adapting the terms and conditions of the additional compensation provided for in Article L.1226-1 of the French Labor Code and modifying, on an exceptional basis, the dates and terms and conditions of payment of the sums paid under the profit-sharing and incentive schemes extends this deadline to **December 31st, 2020.**
- The Ministry of Labour has clarified the exceptional conditions for the payment of employee savings:
  - Payment must be deferred in the same way for all beneficiaries;
  - Amounts will be deemed to have been invested in a plan from the first day of the sixth month following the fiscal year of the calculation, regardless of the actual date of payment, so as not to harm the beneficiaries;
  - The payment of the employer's contribution is in principle made at the same time as the employees' investment. The company may, however, postpone the payment of the contribution:
    - If the plan regulations refer to Article R 3332-11 of the French Labour Code, the company may postpone payment of the contribution to a later date, but not beyond the end of the financial year;
    - If the plan regulations provide for a mandatory payment date separate from the end of the calendar year, which will be difficult for the company to comply with given the circumstances, or if the company wishes to modify the amount of its contribution to deal with cash flow difficulties, it will have to modify the plan regulations by means of an amendment.

Neutralization of quarantine periods for profit-sharing and incentive schemes:

- In profit-sharing or incentive schemes providing for the calculation of bonuses based on the employee's time of presence, periods of maternity or adoption leave and work stoppages due to an accident at work or an occupational disease are treated as periods of presence;
- Article 6 of Act 2020-546 extending the state of emergency extends this regime to periods of quarantine mentioned in Article L 3131-15 of the French Public Health Code. An employee placed in quarantine due to a suspicion of Covid-19 will therefore not be penalized by this absence, for the calculation of profit-sharing and incentive schemes.
- This measure would provide greater protection for quarantined individuals than the one applicable to sick employees. Indeed, it is not intended that employees suffering from Covid-19 be systematically recognized as having an accident at work or an occupational disease, i.e. the only cases allowing the duration of the illness to be assimilated to periods of presence in the company.

A bonus of 1,000 euros to employees who work during the covid-19 crisis:

- The emergency law to deal with the covid-19 epidemic empowers the government to change the deadline and conditions of payment of the exceptional purchasing power bonus ("Macron bonus").
- The government is considering removing the requirement to use a profit-sharing agreement to pay this bonus.

Childcare work stoppages

- Employees working in the public service will be able to stop and look after their children:
  - Benefit of a special leave of absence;
  - Guaranteed compensation equal to 100% of net salary
- Employees working in the private sector will benefit from better compensation:
  - In principle, the current rules on sick leave do not guarantee that employees' pay is maintained: the allowance is equal to 50% of the salary below the social security ceiling of approximately 3,500 euros and only those whose collective agreement or the rules applied in the company provide for it are entitled to income maintenance.
  - The government has announced its intention to increase the compensation by the Social Security National to 90% of net salary.

Exemption from social security contributions for hotels, cafés, restaurants, companies in the tourism, events, sport and culture sector

- The Government announced in a press release dated April 24th, 2020 that :
  - VSEs and SMEs in these sectors would benefit from an exemption from social security contributions during the closure period from March to June. This exemption would be automatic, regardless of whether or not contributions have already been paid.
  - Intermediate and large companies in these sectors will be able to obtain long deferrals of deferred social security and tax charges and, on a case-by-case basis, apply for debt write-offs depending on their financial situation.

12.3. Financial measures

Creation of a solidarity fund for the companies

The terms and conditions relating to the solidarity fund are laid down by Order No. 2020-317 creating a solidarity fund for companies particularly affected by the economic, financial and social consequences of the spread of the covid-19 virus and the measures taken to limit this spread, and Decree No. 2020-371 of March 30th 2020 modified by the Decree of April 16th, 2020. .

Duration of the fund: The solidarity fund is established for three months, but its duration may be extended by decree for a maximum of three months.

Eligible companies are those which cumulatively fulfil the following conditions:

- They started their activity before February 1st, 2020;
- They were not under liquidation by March 1st, 2020;
- Their workforce is less than or equal to 10 employees;
- Their turnover excluding taxes for the last financial year ended is less than € 1 million (or monthly turnover of less than € 83,333 for companies that have not yet ended a financial year);
- Their taxable profit, plus, where applicable, any sums paid to the associate directors in respect of the activity carried out, shall not exceed, in respect of the last financial year for which the accounts have been closed :
  - for own-name companies, € 60,000. This amount is doubled if the spouse of the head of the company has a regular professional activity in the company under the status of collaborating spouse;
  - for companies, € 60,000 per partner and collaborating spouse.

Note: Companies that have not yet closed a financial year must take into account their taxable profit as at February 29th, 2020, over their operating period and recalculated over twelve months.

- Individuals or, in the case of legal entities, their majority manager, do not hold a full-time employment contract or an old-age pension on March 1st, 2020 and have not received, during the period between March 1st, 2020 and March 31st, 2020, daily social security benefits in excess of € 800;
- They are not controlled by a commercial company within the meaning of Article L.233-3 of the French Commercial Code;
- When they control one or more commercial companies within the meaning of Article L.233-3 of the French Commercial Code, the combined workforce is less than or equal to ten employees, the combined turnover is less than or equal to € 1 million and the combined profit does not exceed € 60,000;
- They have been subject to an administrative ban on receiving the public between March 1st and March 31st, 2020 and whose turnover has fallen by at least 50% between March 2019 and March 2020. If the company is more recent, the decrease is calculated in relation to the average of the previous months.
- Aids paid under the Decree to firms which were, on December 31st, 2019, in difficulty within the meaning of Article 2 of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty must be compatible with Commission Regulation (EU) No 1407/2013 of December 18th, 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

Amount of compensation paid by the State:

- Lump-sum compensation of maximum € 1,500 for companies that have suffered a loss of € 1,500 or more;
- Compensation equal to the amount of the loss if its amount is less than € 1,500.

Formalities to be completed in order to benefit from the compensation:

- Filing of a request on a dematerialised form made available by the French tax authorities by April 30th, 2020 at the latest.
- Application accompanied by a declaration on honour certifying that the undertaking fulfils the conditions of eligibility, the accuracy of the information declared and the absence of unpaid tax or social security debts as of December 31st, 2019, with the exception of those benefiting from a payment plan.
- A statement indicating whether the company was in difficulty on December 31st, 2019 within the meaning of Article 2 of Commission Regulation (EU) No 651/2014 of June 17th, 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the treaty.
- An estimate of the amount of the loss of turnover
- A GNI

Decree n°2020-433 of April 16th, 2020 extends the benefit of the scheme to April 2020. This applies to companies that were subject to an administrative ban on receiving the public between April 1st and April 30th, 2020 or whose turnover fell by at least 50% between April 2019 and April 2020, and which meet all the other conditions.

The aid application must be submitted by May 31st, 2020 at the latest, in accordance with the same procedures as those set out above.

Firms may also apply for additional aid in the following ways

- Eligibility requirements:
  - The company benefited from the subsidy described above.
  - As of March 1st, 2020, it employs at least one employee on a fixed-term or permanent contract.
  - The balance between, on the one hand, its available assets and, on the other hand, its debts due within thirty days and the amount of its fixed charges, including commercial or professional rents, due for the months of March and April 2020 is negative.
  - Its application for a cash loan of a reasonable amount made since March 1st, 2020 with a bank of which it is a client on that date was refused by the bank or remained without reply after ten days.
- Amount of aid
  - **€ 2,000** for companies with a turnover recorded in the last financial year for which the balance between its assets and liabilities, including fixed charges, is less than € 200,000, for companies which have not yet closed a financial year and for undertakings with a turnover recorded in the last financial year for which the balance between its assets and liabilities, including fixed charges, is less than € 2,000 in absolute terms;
  - **Amount of the negative balance up to a maximum of € 3,500** for companies with an established turnover in the last financial year equal to or greater than € 200,000 and lower than € 600,000.
  - **Amount of the negative balance up to a maximum of € 5,000** for companies with an established turnover in the last financial year equal to or greater than € 600,000.

Specific terms and conditions for restaurants, cafés, hotels, companies in the tourism, events, sports and culture sector

- The Government announced in a press release dated April 24th that :
  - The Solidarity Fund would remain open to companies in these sectors beyond May;
  - Its conditions of access are extended to companies in the sectors concerned with up to 20 employees and a turnover of up to 2 million euros;
  - The ceiling for grants under the second part of the fund will be raised to 10,000 euros

State guarantee of up to € 300 billion

Mobilization of BPI France to guarantee bank lines of credit that companies may need as a result of the epidemic:

- *The guarantee will be granted to loans granted by credit institutions and finance companies to non-financial companies registered in France;*
- *The guarantee is exercised within the limit of a total guaranteed outstanding amount of 300 billion euros;*
- *The financing is unsecured up to 25% of the last turnover of the companies concerned;*
- *No guarantee or assumption is required from the companies;*
- *Repayment should be spread over a period of 1 to 6 years;*

- *The annual rate of credit should not exceed 1.5%.*
- *Lending institutions that refuse a loan of less than € 50,000, even though it meets the conditions for a state guarantee, must notify this refusal in writing to the company that made the request;*
- *Loans granted to companies subject to collective proceedings (safeguard, reorganization or judicial liquidation) from January 1st, 2020 are eligible.*
- **Eligible enterprises** are companies or individuals, associations and foundations with an economic activity, listed in the national register of enterprises and their establishments, which meet all of the following characteristics:
  - They are not SCIs ("*Société civile immobilière*"), excluding SCIs for construction-sale, SCIs whose assets are mainly historical monuments and which are open to the public, or those whose capital is wholly owned by real estate collective investment undertakings or real estate investment companies;
  - They are not credit institutions or financing companies;
  - They were not, as at December 31st, 2019, undergoing judicial liquidation or professional recovery proceedings in the case of individuals, or under a safeguard or reorganization period.
  - However, a company under safeguard or reorganization on December 31st, 2019 is eligible if a safeguard or reorganization plan has been decided by the court before the loan is granted.

To strengthen the business support plan, the 2nd Amending Finance Act provides for the introduction, for very small and small enterprises that have not had access to a State-guaranteed bank loan, of a subsidiary mechanism of participatory loans backed by the Economic and Social Development Fund ("*Fonds de développement économique et social*" - FDES), which the Government also proposed to top up with an additional € 1 billion.

Suspension of energy, water and rent bills

The rules for suspending electricity, water, gas and rent bills are set out in the order n°2020-316 on the payment of rent, water, gas and electricity bills relating to the business premises of companies whose activity is affected by the spread of the covid epidemic-19.

Eligible companies:

- those meeting the conditions for benefiting from the Solidarity Fund
- those which continue their activity within the framework of a procedure of safeguard, reorganization or judicial liquidation in the light of the communication of a certificate of the legal agents designated by the opening judgment.

Measures prohibiting the interruption or suspension of the supply of electricity, gas and water to the companies concerned:

- Duration of the measure: from the entry into force of the order until, at the moment, the date of cessation of the state of public health emergency declared by Article 4 of Law n° 2020-290 of 23 March 23rd, 2020, i.e. July 10th, 2020;
- Note: The law provides that the duration of a state of health emergency may be extended by a law.

- Possibility for the companies to request the staggering of the payment of the corresponding invoices due until the date of cessation of the state of health emergency:

- **Suppliers concerned:**
  - providers and services distributing drinking water on behalf of the competent municipalities;
  - electricity and gas suppliers serving more than 100,000 customers;
  - electricity suppliers operating in areas not interconnected to the continental metropolitan grid;
  - local distribution companies.
- **Methods of payment of deferred due dates:** equal distribution over the due dates of payment of subsequent invoices over six months from the month following the end of the state of health emergency.

Measures concerning rents:

- **Prohibition** of the application of financial penalties or interest for late payment, damages, periodic penalty payments, enforcement of termination clauses, penalty clauses or any clause providing for forfeiture, or activation of guarantees or sureties due to non-payment of rents or rental charges
- **Premises concerned:** professional and commercial premises
  - **Rents concerned**: rents due for payment between March 12th, 2020 and, at the moment, two months after the end of the state of health emergency (i.e. in principle September 11th, 2020).
  - In contrast to the provisions on energy and water bills, the order does not lay down any arrangements for staggering the payment of rent due.

To be noted: On March 21st, 2020, the Minister of Finance announced an agreement with the main federations of landlords and the "*Caisse des dépôts et consignations"* (Public investment institution) in favor of **very small businesses and SMEs forced to close down by the decrees of the 14th and 15th of March.** Under the terms of this agreement:

- The collection of rents and charges is suspended from April 1st and until activity resumes;
- The lessors will propose repayment schedules without penalties.

Measures to relax the rules applicable to the execution of public contracts

Measures to relax the rules applicable to the execution of public contracts provided for in the order n°2020-319 on various measures to adapt the rules for the award, procedure or execution of contracts subject to the code of public procurement and public contracts not covered by it during the health crisis caused by the covid-19 epidemic:

- **Contracts covered:** contracts subject to the Public Procurement Code and public contracts in progress or concluded during the period from March 12th, 2020 until July 23rd, 2020 included.
- Contracts **whose term of execution** expires during this period may be extended beyond the maximum term set by the public procurement code.
- Buyers may, by means of an amendment, **modify the conditions of payment of the advance.** Its rate may be increased to an amount greater than 60% of the amount of the contract or purchase order.
- When the holder is **unable to execute all or part of a purchase order or contract** (*i.e.* if he demonstrates that he does not have enough means at his disposal or that their mobilization would place a manifestly excessive burden on him):

- The holder cannot be sanctioned, nor can he be subject to contractual penalties, nor can he be held contractually liable on this ground;
- **The purchaser** may conclude a substitution contract with a third party to satisfy those of his needs which cannot suffer any delay without being prevented by a possible exclusivity clause binding him to the holder and without his contractual responsibility.

- **Rents and occupancy charges on the public domain due to national landlords for restaurants, cafés, hotels, tourism, events, sport and cultural enterprises**
  - The government announced in a press release dated April 24th, 2020 the cancellation of the fees due by VSEs and SMEs in these sectors for the period of administrative closure.
  - A practical guide will be drawn up for local and regional authorities wishing to do the same.

Other measures to support the economy

€ 80 million, financed by the Investment Program for the Future ("Programme d'Investissements d'Avenir" – PIA) and managed by Bpifrance, in order to finance bridges between two fundraisings:

- These loans are aimed in particular at start-ups in the refinancing phase;
- They will only be activated in addition to a ticket of equal amount granted by the historical investors (example: loan of € 1 million if the investors also grant financing of € 1 million);
- Eligibility conditions:
  - The company is yougner than 8 years old
  - Neither the State nor Bpifrance must already be present in the capital of the start-up
  - Being an innovative company
  - The intervention in equity and quasi-equity is possible on tickets between € 100k and € 5 millions within the limit of 50% of the round table

State-guaranteed liquidity loans of up to twice the France 2019 wage bill or, if higher, 25% of annual turnover: the amount of this aid is expected to be of almost € 2 billion.

Accelerated reimbursement by the State of corporate tax credits refundable in 2020, including the Research tax credit ("Crédit impôt recherche" – CIR) for the year 2019 and VAT credits

Total release of dedicated aid: cash advance estimated at € 1.5 billion.

Accelerated payment of PIA innovation aids already allocated but not yet paid for a total amount estimated at € 250 million

Innovation aids planned for 2020 up to € 1.3 billion (grants, repayable advances, loans, etc.)

Support from the State and the Banque de France (credit mediation) to negotiate a rescheduling of bank loans

Support in the handling of a conflict with customers or suppliers by the Business Ombudsman

Commitment for large companies

The Ministry of Finance announced the setting up of a commitment of responsability for large companies benefiting from the deferral of fiscal and/or social charges or from public aids.

This commitment applies to companies which employed, during the past financial year, at least 5,000 employees or had a turnover exceeding 1.5 bn €.

These companies will have to commit (i) not to distribute any dividend (in cash or in kind) in 2020 to their shareholders in France or abroad and (ii) not to buy back their own shares in 2020.

The Minister for Economy and Finance also announced that large companies will not be eligible for aid if they have their tax headquarters or a subsidiary with no economic substance in a non-cooperative State.

This measure does not apply to:

- companies that have a legal obligation to distribute dividends (e.g. some real estate companies);
- intercompany dividends when they are meant to financially support a French company;
- distributions decided before March 27th, 2020.

Formalization of the commitment:

- Deferral of direct taxation: the companies commit themselves by filing a request for deferral return on the website impots.gouv.fr and ticking the appropriate box;
- Deferral of social contributions: the companies commit themselves by sending a message (it can be an e-mail) addressed to the URSSAF;
- Loan guaranteed by the State: a termination clause ("*clause résolutoire*") shall be introduced in the loan agreement when it is reviewed by the services of the Minister of Economy and Finances.

Penalties: should a company not comply with its commitment, a surcharge applicable for non-payment of taxes and contributions would apply (5% surcharge + 0.2% for each month of delay). The company would also lose the benefit of the State guaranty and deferrals obtained, and would have to settle unpaid sums immediately.

Useful links:

- French Government's website : click here.
- French Ministry of Finances' website : click here.

For updated information please contact your Taxand team in France at https://www.arsene-taxand.com/

13. GERMANY *(UPDATED 14.05.20)*

On March 13th 2020, the **German Minister of Finance and Minister of Economic Affairs** announced a package of measures to reduce the economic consequences of the Covid-19 virus[5].

13.1. Tax measures[6]

- **Simplification of tax deferrals** if their collection would lead to significant hardship.

  The German revenue authorities will be instructed to not impose strict conditions in this respect for taxes due until December 31st, 2020. The tax authorities will be instructed, generally, to waive interest for delayed payments in this respect.

- **Simplification of adaptation of tax prepayments**

  As soon it becomes clear that a taxpayer's income in the current year is expected to be lower than in the previous year, tax prepayments will be reduced in a swift and straightforward manner.

- **Enforcement measures** (*e.g.* attachment of bank accounts) and **late-payment penalties** will be waived until December 31st, 2020 if the debtor of a pending tax payment is directly affected by the Covid-19 virus.

- It has also been instructed to the administrations in charge of the **energy duty, aviation tax, insurance tax and VAT** to make **appropriate concessions** to taxpayers.

- **Tax-free bonus payments up to € 1,500**

  Bonus payments from employers to their employees are tax and social security free up to an amount of € 1,500. Prerequisite is that

  - Employees receive the bonus between 1 March 2020 and 31 December 2020 and
  - The bonus is paid in addition to the wage owed under the employment contract

- **Memorandum of Understanding for cross-border commuters**

  For cross-border commuters, home office days should count as normal working days in the country of employment for the application of a double tax treaty (i.e. Art. 15). Agreements have been concluded with Austria, the Netherlands, Luxembourg and Belgium.

- **Extension of deadline for wage tax registration**

  Deadlines for submitting monthly or quarterly wage tax registrations can be extended by a maximum of 2 months in individual cases and upon request by the employer. This applies insofar as the employer proves that he is prevented from submitting the wage tax registrations on time due to the Corona crisis and not due to his own fault.

- **Loss carry-back from expected losses 2020**

  Taxpayers can apply for a lump-sum loss carry-back of expected losses for the year 2020. The taxpayer must be directly and not inconsiderably negatively affected by Corona crisis. As a rule, it can be assumed that the taxpayer is affected by Corona crisis if the tax prepayments for 2020 have been reduced to EUR 0 and the taxpayer assures that he expects a loss for the year 2020. The lump-sum loss carry-back amounts to 15 percent of the income for 2019. The general loss carry-back restrictions of max. EUR 1,000,000 or, in the case of a joint assessment, max. EUR 2,000,000 apply. Tax prepayments for 2019 are to be recalculated which should generally lead to a refund. The benefit

[5] *Press release of the German Minister of Finance and Minister of Economic Affair dated March 13th, 2020, « A protective shield for employees and companies ».*

[6] *With decree dated March 19th, 2020 the Federal Ministry of Finance as instructed the local tax authorities to apply the described tax measures.*

for taxpayers of such a procedure is that losses can normally only be carried back when losses for 2020 are assessed, i.e. typically in late 2021 or early 2022. The lump-sum loss carry-back leads to an earlier recognition of expected losses.

- **Corona Tax Assistance Act (Corona-Steuerhilfegesetz)**

  On 6 May, 2020, the Federal Government adopted the Corona Tax Assistance Act. Among other things, the new law provides for the following:

  - **Reduced VAT rate for restaurant services**

  VAT on food (but not beverages) served in restaurants, cafés or bars is reduced from the general rate of 19% to the reduced rate of 7% from 1 July 2020 until 30 June 2021.

  - **Tax-free employer grants for short-time work compensation**

  Employer grants for short-time work compensation and seasonal short-time work compensation are tax exempt insofar as the grants combined with governmental short-time work compensation do not exceed 80% of the difference between the target salary and the actual salary according to § 106 SGB III. The tax exemption is applied to grants paid for periods after 29 February, 2020 and before 1 January, 2021.

  - **Extended retroactive tax period for reorganizations**

  In accordance with the provisions of the German Commercial Reorganization Act, the retroactive tax period for reorganizations and contributions under the German Reorganization Tax Act is extended from eight to twelve months if the application for registration or the conclusion of the contribution agreement is made in 2020. This allows a (tax-neutral) contribution or restructuring with retroactive tax effect of up to 12 (instead of 8) months.

13.2. Social measures

Starting from March 1st, the rules on, reduced hours will be loosened:

- **Coverage of 60% of net salary** in case of short-term work for a period of up to 12 months (extension to 24 months possible);
- Reduction of the **minimum ratio of the employees** in a company affected by shorted working hours to 10%;
- Partial or complete waiver of the need to build up a negative balance in working hours;
- Reduced hours compensation benefit will also be available to **temporary/agency workers**;
- Complete reimbursement of **social security contributions** linked to reduced hours.

13.3. Financial measures

- ***Measures relating to the granting of cheap loans:***
  - **KfW fast loans for SMEs**: Provided that the company has made a profit in the sum of the years 2017-2019 or in 2019, a "fast loan" is to be granted with the following key points:
    - The loan is available for SMEs with more than 10 employees
    - Credit volume per SME is up to 25% of the total turnover in 2019; max. € 800,000 for SMEs with more than 50 employees, max. € 500,000 for SMEs with up to 50 employees
    - The SME was not in dire straits on 31 December 2019 and was in an “orderly economic situation” at that time
    - On request, up to 2 grace years

        - The bank receives a 100% indemnity from the KfW, secured by a guarantee from the Federal Republic

    - Loosening of the conditions for specific loans for existing companies (*KfW-Unternehmerkredit)* and startups (*ERP-Gründerkredit-Universell*) through raising the level of risk assumptions for operating loans of up to 80% and extending these instruments to large enterprises with a turnover up to € 2 billion (previously, the limit was € 500 million);

    - In the case of the "KfW Loan for Growth", a program aimed at larger companies, the current **turnover threshold** of € 2 billion will be raised to € 5 billion.

      In the future, these loans will take the form of **syndicated loans** and will not be restricted to projects in one particular field (in the past, only innovation and digitalization projects were eligible).

      Risk assumption will be increased to up to 70% (from 50%).

    - For companies with a turnover of more than € 5 billion, support will continue to be provided on a case-by-case basis.

- ***Measures relating to bank guarantees***

    - Doubling of the **guarantee limit** for guarantee banks (*Bürgschaftsbanken*) to € 2.5 million and increase of the risk share of the Federation by 10%.

      Increase from 35% to 50% of the operating resources in guarantee banks' total exposures.

      The Federation is giving guarantee banks the freedom to make guarantee decisions up to € 250,000 independently and within a period of three days.

    - Extension of the large guarantee program, originally limited to companies in structurally weak regions, to companies in other regions.

      In this program, the Federation covers operating loans and investments with a surety requirement upwards of € 50 million and a guarantee up to 80%.

    - Launch of additional support programs for companies that have temporarily got into serious financial difficulties because of the crisis and therefore do not have easy access to existing support programs through increasing the *Kreditanstalt für Wiederaufba*u's (KfW – Public German bank) risk tolerance.

    - The German government is establishing an **Economic Stabilization Fund** *(Wirtschaftsstabilisierungsfonds)* that is targeted in particular towards large companies, i.e.

        - balance sheet total of more than € 43 million,
        - sales revenues of more than € 50 million and
        - more than 249 employees on an annual average.

      The fund supplements the liquidity assistance programs that have already been adopted as part of KfW's special programs. The fund encompasses:

        - €100 billion for equity measures
        - €400 billion for guarantees
        - up to €100 billion to refinance existing KfW special programs

- ***Grants to cover liquidity shortfalls***

    - Small businesses, freelancers and the self-employed shall receive **one-time grants** to cover operating costs for three months. The grants do not have to be paid back and are designed to involve as little red tape as possible.

- The following grants are provided by the Federation:
    - Self-employed persons and businesses with up to 5 employees will receive up to **€9,000**
    - Self-employed persons and businesses with up to 10 employees will receive up to **€15,000**
- The federal program supplements other programs that have already been adopted by the *Länder*, i.e. the *Länder* may provide further grants.

Useful links:

- Federal Ministry of Finance's website: click here.
- For current information, visit: https://www.fgs-blog.de/category/english-content/

For updated information please contact your Taxand team in Germany at https://www.fgs.de/

14. GREECE *(UPDATED 21.05.20)*

14.1. Tax measures

Extension of VAT payment

- Payment of VAT amounts due between 11.03.2020 to 30.04.2020 is extended until 31.08.2020 and between 01.05.2020 to 29.05.2020 until 30.09.2020, respectively;
- This concerns enterprises ("*affected enterprises*"):
  - with active primary Business Activity Codes (KAD) included in the revised list of KAD published on 01.05.2020 or whose turnover pertaining to an active secondary KAD of the above list, as reported in the initial FY2018 annual CIT return, exceeds the turnover of the active primary KAD as of 20.03.2020;
  - whose operation was suspended by virtue of State decision;
- Especially for enterprises engaged in hospital activities (KAD 86.10) the above extension applies for VAT due between 01.04.2020 to 31.05.2020.
- During the suspension period, no interest and surcharges shall apply on VAT due;
- The extension applies on condition that the existing number of employees is retained until completion of the measure; otherwise interest and surcharges shall apply as of the initial assessment date.

Extension of payment of assessed debts and instalments of arrangements/ settlement schemes

- Payment of assessed debts and instalments based on arrangements/settlement schemes due between 11.03.2020 to 30.40.2020 is extended until 31.08.2020 and between 01.05.2020 to 29.05.2020 until 30.09.2020, respectively. This concerns the affected enterprises, employees of affected enterprises, as well as individuals-lessors of real estate property to affected enterprises;
- Especially for enterprises engaged in hospital activities (KAD 86.10) the above extension applies for amounts due between 01.04.2020 to 31.05.2020.
- An extension of payment deadline of instalments of settled debts for a period up to 6 months shall also apply for gambling companies whose operation has been suspended by virtue of ministerial decision.
- During the suspension period, no interest and surcharges shall apply on taxes due;
- The extension applies on condition that the existing number of employees is retained until completion of the measure; otherwise interest and surcharges shall apply as of the initial assessment date.

Discount in case of timely payment of taxes

- A 25% discount will be provided where the applicable suspension period is not utilised by the affected enterprises and relevant taxes are timely paid;
- Based on guidelines, 75% of the above taxes must be timely paid so that the 25% discount applies;
- Above discount concerns payment of instalments of assessed debts and instalments of settlement schemes due within 30 March to 30 April 2020 to be performed as of 30 March 2020 onwards;
- For above debts paid from 11 March to 29 March 2020 the 25% discount shall be set-off with subsequent assessed debts due in June onwards.
- VAT and withholding taxes not subject to settlement or payment facilitation schemes are excluded from the above discount;
- A 25% of VAT due in April to be paid in time (until 30.04.2020) shall be set-off with subsequent assessed debts of affected enterprises due in May onwards;
- In case of VAT payment in two installments, both installments must be paid until 30.04.20.
- The above applies provided that VAT due in March had also been settled; exception to this requirement may apply in special cases.
- Especially for enterprises engaged in hospital activities (KAD 86.10) the above applies provided that VAT amounts due are settled until 11.05.2020.
- Set-off shall be made either based on application of the taxpayer through e-mail or automatically through taxisnet.

Submission deadlines of tax returns [applicable to all Greek taxpayers]

- To date, no general extension to the submission deadlines of periodical tax returns due by the end of April 2020 has been provided (e.g. March VAT and withholding tax returns must be submitted within the applicable deadlines);
- Submission deadline of specific types of tax returns has been extended as follows:
    - Submission of capital accumulation tax and stamp tax returns due within March until April is extended for 2 months;
    - Submission of environmental duty on plastic bags for Q1 2020 due by 30.04.2020 is extended until 30.06.2020;
    - Submission of residence tax returns referring to February and March data, due by 31.03.2020 and 30.04.2020, is extended until 29.05.2020 and 30.06.2020, respectively;
    - Submission of inheritance tax, gambling profits, parental grants and donations tax returns due within March and April is extended until 29.05.2020.
- Filing deadline of annual list of customers-suppliers for 2019 has been extended until 30 June 2020 and correction of respective suppliers' deviations until 31 July 2020;
- Submission of lease agreements notifications through TAXISNET platform for lease contracts or amendments for the period from 01.02.2020 until 30.04.2020, as well as declarations of short-term accommodation for commencement of accommodation or cancellations thereof for the period from 1.02.2020 until 31.05.2020, is extended until 30 June 2020.
- Submission deadline of Q1 2020 list of agreements has been extended until 20.07.2020

Reduction of the VAT rate from 24% to 6% on products necessary for the protection from the coronavirus and its containment

The VAT rate is reduced to 6% for the following products:

(a) masks and gloves for medical and private use;

(b) antiseptic solutions, antiseptic wipes and other antiseptic preparations;

(c) soap and other preparations for personal hygiene;

(d) ethyl alcohol designated to be used as raw material for the production of antiseptics; and

(e) pure ethyl alcohol non-denatured of agricultural origin with 95% alcohol volume available in bottled form in the retail market.

The reduced VAT rate on the above products will apply until 31 December 2020.

Acceleration of tax refunds of amounts not exceeding €30,000 by the tax authorities

- Immediate refund of amounts not exceeding EUR 30,000 pertaining to pending income tax audit cases for legal persons and legal entities or pending VAT audit cases for natural or legal persons and legal entities, subject to limitation period framework;
- Pending cases are considered those for which no temporary tax assessment act has been issued as of the publication date of the leg act (20 March 2020);
- For the purposes of such refunds, sample audits may be performed as per the Code of Fiscal Procedures provisions.

Computation of 2020 annual property tax (ENFIA) based on current objective values

Postponement of the revision of the real estate property objective values for property tax purposes. The 2020 annual property tax (ENFIA) will be computed on the current objective values whereas the revised ones will be taken into account for the 2021 ENFIA.

Tax audits and administrative appeals

Deadlines for both the tax authorities serving tax assessments to taxpayers and the taxpayers submitting their views, have been suspended until the end of April 2020 or May 2020 respectively, Suspension also concerns the imposition of safeguard measures by the tax authorities and of taxpayers to provide requested data in the course of continuing tax audits (tax audits are not prevented altogether). Likewise, deadlines for filing administrative appeals which expired or will expire in the period between 11.03.2020 and 31.05.2020 is suspended for sixty days;

Procedural tax issues

- Tax refund applications along with scanned copies of relevant supporting material shall be sent electronically through e-mail to the tax authorities during the covid-19 outbreak period;
- The remote issuance of tax authenticator key ("kleidarithmos") is introduced through sms and e-mail of the taxpayer instead of physical presence at the competent tax office;
- A correction procedure of the declared KAD has been introduced so that affected enterprises that have not declared the proper KAD with the tax authorities can benefit from the applicable measures. Correction of KAD shall be made until 24.04.2020 provided that the KAD to be declared was already a secondary KAD and it corresponds to the higher part of the 2019 turnover of the enterprise. In the event that the above turnover condition is not met, penalties provided in leg act dated 13.04.2020 shall be imposed unless the taxpayer returns any benefits received due to the above KAD declaration.

14.2. Social Security

Payment of social security contributions and instalments of arrangements/settlement schemes

- Payment of February and March social security contributions is extended until 30.09.2020 and 31.10.2020, respectively. Measure has been expanded to April social security contributions for which the payment deadline is extended until 30.11.2020;
- A 3-month extension is also provided for the payment of instalments of active settlement schemes due by 31.03.2020 and for subsequent monthly instalments;
- The above measure concerns the affected enterprises included in the list of eligible KAD of March;
- Especially, for enterprises engaged in hospital activities (KAD 86.10) payment extension applies for March and April social contributions until 31.10.2020 and 30.11.2020, respectively. A 3-month extension also applies for payment of active settlement schemes instalments due by 30.04.2020 and subsequent monthly instalments for these enterprises.
- During the suspension period, no interest and surcharges shall apply on social security contributions due;
- The extension applies on condition that the existing number of employees is retained until completion of the measure; otherwise interest and surcharges shall apply as of the initial assessment date.

Discount of duly payment of social security contributions

- A 25% discount is provided in case that suspension period is not utilised and February and March social security contributions are timely paid, but this regards only certain categories of freelancers, self-employed persons and individual business owners, not corporate taxpayers

Extension of social security contributions return submission

- Based on a press release by the Ministry of Labor, dated 27.04.2020, an extension to the filing of the social security contributions return (APD) of March is provided until 15 May 2020.
- The above regards all taxpayers and not only affected enterprises.

14.3. Customs

Guidelines for imports/exports

- Submission of customs declarations and relevant supporting documents is made electronically through Greek Customs electronic system (ICISnet);

Import of denatured ethyl alcohol

- Import of denatured ethyl alcohol intended exclusively for the production of antiseptic products and their distribution in the Greek market is allowed, under conditions, following a relevant decision of the Minister of Development and Investments;
- The relevant imports shall be allowed for as long as there is a risk for spreading of Covid-19 and in any event no later than July 20, 2020.

Relief from customs duties and VAT on specific products

- Relief from customs duties and VAT is provided under conditions, for the import of goods distributed or made available free of charge to persons:
  - affected by or at risk of Covid-19, or
  - involved in combatting the Covid-19 outbreak;
- Said goods must be imported by or on behalf of State organisations or other organisations approved by local competent authorities;
- The relief also applies to disaster relief agencies for goods imported for the purposes of providing disaster relief to persons as per the above;
- Above measure shall apply to imports made between 30.01.2020 and 31.07.2020.
- Payment of excise duty, VAT and other charges related to spirits and alcoholic products released for consumption during March 2020 is postponed until 25 June 2020.
- Payment of the above duties and taxes for spirits and alcoholic products released for consumption during April 2020 is postponed until 25 July 2020.

2. Social measures

- **Preventive measures for the safety of the population taken by the National Organisation for the Provision of Healthcare Services (EOPYY)**
  - Healthcare Professionals (HCPs) are given the opportunity to issue repeated medical prescriptions until 30/06/2020 for vulnerable groups of the population.
  - Patients receiving High Cost Drugs (CVD) from EOPYY pharmacies and belonging to vulnerable groups can appoint a person to receive their medicines with a simple solemn declaration (without validation of the signature).
  - Scheduled delivery of High Cost Drugs (by appointment) enters into force at EOPYY's pharmacies.
  - The possibility of online submission for the execution of electronic advice on special treatment provided by certified (non-contracted) therapists through the EOPYY's online applications at no cost for the insured is set forth.

- **E-prescriptions**

  All medical prescriptions may be obtained through the electronic portal https://www.e-syntagografisi.gr/p-rv/p using the TAXISNET codes.

- **Primary care at home through mobile units**

  Mobile units are introduced for the purpose of offering primary care services to patients at home and sampling for Covid-19.

- **Sending of pharmaceutical products to patients via courier**

  The option of sending pharmaceutical products directly at patients' home by EOPYY's pharmacies via courier services is introduced for the next 4 months provided there is still a risk of Covid-19 spreading.

- **Establishment and operation of a National Registry of Covid-19 Patients**

  The establishment and operation of a National Registry of Covid-19 Patients aims at protecting public health in view of the high impact of the virus on the general population, the need to record epidemiological data, pharmacovigilance and surveillance of the private healthcare providers.

- **Approval of off-label administration of medicines to Covid-19 patients**

  Provided that there is an imminent public health risk from the spread of Covid-19 and in the absence of approved appropriate treatment against Covid-19, in accordance with the pharmaceutical legislation, the Minister of Health may decide for the administration, mainly to patients that belong to vulnerable groups, of medicines that have been authorised for another indication and are likely to be effective in combating Covid-19.

- **Update of the National Registry of Covid-19 Patients- Access to data of the General Secretariat for Civil Protection**

  At the beginning of the operation of the National Registry of Covid-19 Patients, its update may be effected by granting, retroactively, data to the e-Government Center for Social Security (IDIKA), which have come to users' knowledge for tracing purposes, and refer to all confirmed cases. To this effect, the General Secretariat for Civil Protection may have access to the following data regarding the course of the hospitalized patients: (a) the type of bed where each patient is treated (ICU, HDU, simple) as well as any changes and (b) the outcome of the treatment (discharge due to treatment or death).

- **Special leave for parents**

  Following the temporary suspension of the operation of all educational institutions in Greece, a special purpose paid leave has been established. Employees with children, as defined in the relative leg act, are entitled to a minimum of 3 days of said leave on condition that they use 1 day of their annual leave for every 3 days of the special leave. The Greek State will subsidise part (1/3) of the employees' remuneration during such special leave through reimbursement of the relevant cost to employers. With respect to the use of such leave within March, April and May, employers are obliged to file a special declaration via the relevant ERGANI platform between 1 and 15 June. If said measure is further extended, the relevant declaration must be submitted by the 15th of the month following the granting of the special leave.

- **Special state benefit**

  Employees whose employment contracts have been suspended either following a lockdown by order of the authorities or a decision of their employer as per the previous paragraph are entitled to a special state benefit of EUR 800. Such benefit covers a suspension period of 45 days during which the employees are entitled to full social security coverage, borne by the State. The same state benefit is due also to employees who have been terminated or resigned during the period from 1 to 20 March 2020.

  Employers on lockdown by order of the authorities were obliged to declare the suspension of their activities and the affected employees through the ERGANI platform by 10 April 2020 (as extended). Failure to do so results in the exclusion of the employers from various relief measures provided for

impacted businesses. By 10 April 2020 employers must have also informed their employees in writing or by email about the submission of the above declaration so that employees also submit their required application to the electronic platform of the Ministry of Labour.

Employers belonging to the specific impacted categories announced by the Ministry of Finance exercising their right to suspend the employment contracts of all or part of their employees are obliged to declare their affected employees through the ERGANI platform within the period between 21 March 2020 and 20 April 2020; otherwise, they will not be eligible for the various State measures available to impacted businesses. Employers are required to inform on the same day their employees in writing or by email about the submission of such declaration so that they can also submit the required application to the respective platform. Employers, who do not place any employees on suspension, although entitled to, remain eligible for the other relief measures available to impacted businesses. Said employers can pay to suspended employees an amount on top of the special state benefit up to their gross monthly remuneration, in which case the employers must also cover the respective social security contributions. During any extension of the suspension of their employment contracts, employees will be entitled to a special state benefit, pro-rated to the period of the extension. Further details for the implementation of the above will be provided by ministerial decision.

- **In-home or remote provision of health care services by EOPYY HCP's or GPs to Covid-19 patients**

  In the aim of protecting public health and restricting the spread of Covid-19, EOPYY HCP's as well as GPs may proceed to home visits or provide health services remotely to both insured and uninsured Covid-19 patients that remain at home. For the period that this measure is in force, Article 16 of the Legislative Act issued on 13.04.2020 provides for special provisions for the HCPs compensation, in derogation of the general rules applicable to EOPYY HCP's and GP's.

- **Provision of healthcare services through digital means**

  By a joint decision of the Ministers of Health and Digital Governance, digital infrastructure and services may be used to provide advice, guidance and support to patients who have been diagnosed with Covid-19 and remain at home, throughout their monitoring. By its decision, the Minister of Health may decide for the use of the use of the aforementioned infrastructure and systems for the remote advice and e-monitoring by GPs for patients suffering from chronic illness with other underlying medical conditions.

- **Temporary Movement Restrictions**

  Partial lifting of the strict movement has been effected as from the 4th of May 2020. Nevertheless, the movement restriction applies until the 18th of May 2020 for movement outside the relevant Prefecture, excluding movement to work with the respective employer's declaration (Type A), movement for health issues, movement to a ceremony (such as funerals), movement of divorced parents for communicating with their children and movement to permanent residence. The SMS feature for movement has been lifted.

- **Personal preventive measures:**

  A. Obligatory use of masks by employees in services that require physical contact (for example hairdressers, barber shops, beauty salons, super market and food stores).

  B. Strong suggestion for the use of masks in all closed space places by employees and customers.

  C. General distance maintenance of 1,52m. Stores up to 20 sq.m. will be able to host up to 4 persons. Stores from 20 to 100 sq. m. will be able to host 4 persons plus 1 person per 10 sq. m. Stores above 100 sq. m will be able to host 12 persons plus 1 person per 15 sq. m. Stores above 300 sq.m will be able to host 1 person per 10 sq.m per floor.

D. Office spaces and administrative departments of private businesses shall provide for a minimum distance between employees of 1.5m and at least 1 person per 10 sq.m

E. Commercial stores to be opened at 10:00 am. Hair salons and beauty salons can operate from 7:00 am until 10:00 pm and on Saturday from 7:00 am until 9:00 pm.

- **Adaptation of employees' working time to opening hours**

  Employers previously on lockdown by order of the authorities or belonging to the specific impacted categories announced by the Ministry of Finance may adapt, following the lifting of the lockdown, the working time of their employees to their opening hours.

  Such adaptation may take place on condition that there is no change to the type of the employment contract of said employees.

- **Measures for the protection of health and safety and the prevention of the spread of Covid-19 at the workplace**

  A circular issued by the Ministry of Labour on the 4th of May provides for specific measures for the prevention of the spread of Covid-19 in view of the employer's obligation to ensure health and safety at the workplace. Such measures are divided into 4 categories: a) organizational measures, b) personal hygiene measures, c) environmental measures and d) measures for monitoring employees' health.

  More specifically, organizational measures that must be adopted by the employers include indicatively the organization of working time so as to avoid overcrowding, imposition of telework (where possible), reorganization of workplace ensuring the necessary distancing as per legal requirements, avoidance of face to face meetings and regular provision of information to employees especially as regards actions to be taken in case of Covid-19 symptoms.

  Personal hygiene measures impose specific obligations both on employers and on employees. Such measures include indicatively the obligation of employers to install appropriate hygiene equipment, such as washing basins and sanitizing hand rub dispensers, provide employees with appropriate personal protection equipment, such as face masks, while employees are required to inter alia to observe the necessary hygiene measures and inform employers in case they experience Covid-19 symptoms or in case of contact with a Covid-19 case.

  Environmental measures include the implementation of appropriate ventilation and cleaning procedures, as well as disinfection in case of a confirmed Covid-19 case.

  Measures that monitor employees' health include employers' obligation to develop a process for the handling of a confirmed Covid-19 case at the workplace, as well as the introduction of protective measures for high risk employees. Employers are also required to take reasonable care for employees' mental health.

  Lastly, employers should complete a self-appraisal form to ensure compliance with the applicable health and safety measures.

3. Financial measures

- **Borrower support measures**

  - For Businesses:

  On 17.03.2020 the Hellenic Bank Association decided the suspension (until at least 30.9.2020) of the repayment of loan principal for business loans, provided that such loans were performing on 31.12.2019 (the suspension will be provided upon the borrower's request). Interest continues to be payable during such period. Furthermore on 18.03.2020 the Greek Government announced the granting of a three-month interest rate subsidy to businesses of the sectors of the economy that are directly affected by Covid-19. The subsidy will be granted only for performing loans. No relevant leg act specifying the requirement and further details of the subsidy has been issued until the date of the report. The ministerial decision no. 37674/2020 has been issued on 10.04.2020 specifying the details and eligibility criteria in respect of the three-month rate subsidy to SMEs affected by Covid-19. The subsidy will be granted only

for business loans that were performing on 31.12.2019, but in any case the relevant loan agreements must have been signed before 01.04.2020. In particular, from 15.04.2020 to 30.06.2020, SMEs may apply through the address www.ependyseis.gr/mis to be granted of a three month (i.e. April, May and June) interest rate subsidy. SMEs, as defined in the Annex I of EU regulation 651/2014, which have been affected from the incidence and spread of Covid-19 pursuant to Annex V of the aforementioned ministerial decision, shall proceed with the application. Any such businesses shall not be "undertakings in difficulty" in the meaning of Annex IV of the ministerial decision (in case businesses are "undertakings in difficulty" this must have resulted from the incidence of Covid-19) and shall not have terminated any employment contracts after the date of 31.12.2020.

The Greek Government also announced, on 13.04.2020 the granting of financial aid, especially for tourism businesses. The relevant legislation act specifying the requirements and further details of this financial aid is expected to be issued soon

- For Individuals: On 19.03.2020 the Hellenic Bank Association decided the suspension of loan repayment for borrowers-individuals who are evidently affected by Covid-19 and are eligible for the EUR 800 supplement. Such suspension will last three months and will be communicated by the banks to each borrower.

- For businesses & individuals: On 01.05.2020, the Greek Government announced, by means of a new leg act with a retroactive effect from 30.04.2020, that the deadline set previously by Greek law 4605/2019, in respect of the submission of applications by individuals for the settlement of their debts and the protection of their primary residence from enforcement measures, is extended to 31.07.2020. Previously, oOn 31.03.2020, the Greek Government had announced, by means of anothera new leg act, that certain procedural deadlines applying to the framework of law 4469/2017 ('out of court workout') and law 4605/2019 ('primary residence protection scheme') (e.g. deadlines for the notification of the creditors regarding the submission of the application, deadlines for negotiations held with the creditors, deadlines for the suspension of auctions against the primary residence etc.) are suspended for a 3 months period after 31.03.2020, provided however that the relevant application for the submission of the relevant business or individual in said frameworks had previously been submitted duly and timely. In addition, for those of the businesses or individuals, as the case may be, who have suspended their operations or have been severely affected due to the outbreak of Covid-19, a 3 month suspension has been provided after 31.03.2020 for any due and payable instalments they would have to meet under a settlement plan of any of the 'out of court workout' framework, the 'primary residence protection' scheme or law 3869/2010 (i.e. the previous primary residence protection scheme and debt settlement framework). For any business or individual that is not currently included as an affected one in the issued leg acts and ministerial decisions, the 3-month suspension to their instalment plan may be granted by the relevant creditors involved in the process following an ad hoc application on behalf of said obligor.

- **Servicing and Debt collection companies**

On 19.03.2020 the Hellenic Loan Servicers Association announced three-month suspension of any loan instalment payable by all individuals eligible for the EUR 800 special supplement. In addition, suitable solutions offering the option to reduce the instalment amount or suspend the payment of instalments for three months will be offered to each borrower (whether individual or business) affected by Covid-19. Servicers are expected to suspend communication with borrowers claiming a substantiated cause affecting their ability to meet their payments (and providing relevant evidence to this end). Servicers have also provided instructions to their external partners (such as debt collection companies or lawyers) to act in accordance with the above approach.

- **Business financing**

- The Greek government announced the following initiatives for the financing of businesses:

  - Granting of new loans of EUR 2 billion to businesses through the European Investment Bank.

  - Establishment of a new guarantee mechanism for working capital loans to small and medium sized enterprises of up to EUR 1,53 billion and for working capital loans to large enterprises of up to EUR 2 billion.

On 11.05.2020, the Hellenic Development Bank SA published an invitation addressed to financial institutions for cooperation in the granting of new working capital loans with 80% guarantee rate until the full repayment. Such guarantee will be funded by the Businesses' Guarantee Fund COVID-19 (hereinafter the "Guarantee Fund"). The loans shall have duration up to 5 years including any grace period and the relevant loan agreements must have been signed until 31.12.2020. The loan amount shall not exceed the double of the annual salary costs of the fiscal year 2019 (in case where the applying business has been incorporated during 2019 the loan amount shall not exceed the estimated annual salary costs for the first 2 operating years), or the 25% of the turnover of the previous fiscal year or the 10% of the agreed portfolio per financial institution. The financial institutions may respond to the aforementioned invitation until 26.05.2020. All businesses, operating in Greece, shall benefit from this measure; however the eligibility criteria for the applicant businesses are expected to be specified further after the above program is launched to potential borrowers by the banks

- Increased funding for the Hellenic Development Bank's Entrepreneurial Fund by EUR 250 million for the granting of new loans to businesses affected by Covid-19 along with a 100% interest rate subsidy for two months.

No relevant leg act specifying the above has been issued until the date of this report. Yet, on 28/04/2020 Hellenic Development Bank SA has announced the launching of a new program for working capital loans with 100% interest rate subsidy for the first two years. Such loans will be funded by the National Fund for Entrepreneurship and Development (ETEAN SA) under "Business Financing - TEPIX II". Newly established companies and SMEs affected by the outbreak of Covid-19 may apply for such loans through the address www.ependyseis.gr/mis from 20.05.2020 until 28.05.2020 and then submit the supporting documentation to the cooperating bank of their preference. The loans shall be up to 50% of the turnover of the previous fiscal year, for a period of 24-60 months, a potential grace period of 6-12 months and an interest rate no higher than 8% for the first two years. Applying companies shall preserve for the first two years the number of their employees as on 19/03/2020.

- Financing in the form of refundable advance payments of a total amount of EUR 1 billion with low interest rate and 5-year maturity. A ministerial decision has been issued on 0316.04.2020 specifyinghas amended the ministerial decision dated 03.04.2020, which specified the details and eligibility criteria in respect of the refundable advance payment. and expanded the eligible undertakings. In particular, from 03.04.2020 to 21.04.2020, SMEs either businesses (with 1 up to 500 employees) or businesses without employees which operate under specific business forms (i.e. partnerships, private companies (IKE) and limited liability companies) may apply through TAXISNET platform to receive this form of financing from the Greek government. BusinessesOnly businesses with registered seat or permanent establishment in Greece, which have been affected from the incidence and spread of Covid-19, shall proceed with the aforementioned application. Any such businesses shall not beFurther to this, all applicant businesses shall be going concern undertakings from April 2019 onwards. Businesses may proceed with the application in case they are not "undertakings in difficulty" in the meaning of EU Regulation 651/2014 and shallon 31.12.2019, provided that they have not previously been granted financial aid acknowledged as incompatible by European Commission, or in case they fulfil the conditions of EU Regulation 1407/2013 and provided they have not having previously exhausted the state aid cap provided by said regulation for the 3-year period 2018-2020. (in which case they must not be businesses active in the fisheries, aquaculture and agricultural production sectors). The method of calculation of the exact amount of the financing and the grant procedure have been further specified by a Ministerial Decision issued on 03.05.2020, setting out also additional criteria on which the repayable advance is based upon. In particular, all businesses having completed the aforementioned application shall proceed with a new application through TAXISNET platform until 15.05.2020. This application shall include: i) the exact amount of the expected financing; ii) whether the financial aid is requested on the basis of the Temporary Framework C/2020.1863 (as announced by the EU Commission for the support measures against Covid-19) or on the basis of Regulation (EU) No. 1407/2013 (i.e. the state aid de minimis regulation); (iii) data and information supporting the conditions for the application. The ministerial decision sets out a sample application format in its annexes, which businesses shall consult prior to submitting their second application. Further to such second application, the applicant business shall be notified electronically via the Taxisnet platform on whether their application has been successful and thus they are eligible for the advance grant. In case the application is unsuccessful, the applicant business may request reexamination of the relevant application within 5 business days from the date of the electronic notification. The advance grant will bear interest calculated on the basis of the 1 year IBOR reference rate applicable in Greece plus 109 bps. A grace period will run from the date of the

advancement up to 31.12.2021, where the relevant businesses will not be required to repay any amount of principal or interest. After the lapse of the grace period the amount of the advance grant shall be repaid in 40 equal interest-bearing monthly instalments, each one being due and payable on the last business day of each calendar month. However, if, following the granting of the advance, the annual turnover of a business remains lower by 70% or above compared to the annual turnover or annual gross income of the same business that were taken into account for the eligibility of the business in this scheme, the relevant business shall have the right to only repay to the State an amount equal to 70% of the advance grant. In addition, those of the businesses that on 31.03.2020 used to employ more than 20 employees (and provided that they will maintain the same number of employees up to 31.03.2020) shall have the right to only repay to the State an amount equal to 60% of the advance grant. In any case, all subsidized businesses shall maintain the number of employees employed by them on 31.03.2020 up until 31.10.2020, otherwise a mandatory prepayment event of the advance grant would be immediately triggered for the immediate repayment of the full amount of the grant's principal and also its interest from the day of its disbursement up to the date of such mandatory prepayment.

- **Ban on short selling**

  The Hellenic Capital Market Commission decided on 19.03.2020 to temporarily prohibit short sales and other transactions that create or increase the net short position in shares listed on the ATHEX, irrespective of the venue where the transactions are executed. The prohibition was initially effective from 18.03.2020 until 24.04.2020 and has been further extended until 18.05.2020.

  The prohibition does not apply to: a) market makers performing market making activities that are conducted for hedging purposes, b) the creation or increase of net short positions through index derivatives providing that the index composite does not include shares listed on the ATHEX in a percentage over 50% of the index weight.

  On 20.05.2020 the Hellenic Capital Market Commission announced that the ban on short selling will not be further extended. Therefore, short sales and other transactions that create or increase the net short position in shares listed on the ATHEX, irrespective of the venue where the transactions are executed are permitted as of 19.05.2020.

- **Alternative methods for verification of the customers' identity during the Covid-19 crisis**

  The HCMC issued on 24.04.2020 an announcement on the due diligence measures to be applied by obliged entities which are supervised by the HCMC on their clients during the Covid-19 crisis. Obliged entities are entitled to apply alternative methods (e.g. video calls, teleconferences, geolocation etc.) for the verification of the customers' identification which do not necessitate the customers' presence in the obliged entities' offices. Obliged entities do not have to officially amend their existing anti-money laundering policies and procedures in order to be able to apply the alternative methods for verification of the customer's identity without being necessary. They just need to keep a record with the changes applied in their policies and procedures during the Covid-19 crisis.

  Financial Action Task Force "FATF" issued, on 04 May 2020, a report referring to the best practices and challenges of the fight against money laundering and terrorism financing in the world during the outbreak of Covid-19.

- **Actions to mitigate the impact of COVID-19 on the financial markets**

  - The deadline for the publication of annual financial reports by companies listed on the Athens Exchange has been extended until 30 June 2020 in line with the guidance issued by the European Securities and Markets Authority (ESMA) on 27 March 2020.

  Previously, ESMA in coordination with the European Banking Authority also issued guidelines in relation to the accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9, noting that the measures taken in the context of the COVID-19 which permit, require or encourage suspension or delays in payments, should not be regarded as automatically having impact on the assessment of whether loans have suffered a significant increase in credit risk.

Companies listed on the Athens Exchange must in any case assess the actual and potential impact of COVID-19 on their fundamentals, prospects and financial situation and proceed to the necessary disclosures provided by the Market Abuse Regulation.

ESMA issued an announcement on 20 May 2020, by virtue of which encourages disclosure of the impact of COVID-19 in the financial position of listed companies in the half-yearly financial reports.

- In addition ESMA acknowledging difficulties encountered by fund managers (UCITS management companies, AIFMs, EuVECA managers and EuSEF managers) due to COVID-19 to prepare and publish their periodic reports (yearly and half-yearly reports) within the regulatory deadlines (i.e. regarding Greek UCITS management and investment companies for 31 December 2019 financial year-ends, the latest publication date is 30 April 2020, Greek AIFMs for 31 December 2019 financial year-ends, the latest publication date is 30 June 2020), announced on 9th April 2020 that national competent authorities, including the Hellenic Capital Market Commission, shall not prioritise supervisory actions against these market participants in respect of the upcoming deadlines in relation to:

a) annual reports referring to a year-end occurring on or after 31 December 2019 but before 1 April 2020 for a period of two months following the relevant deadline;

b) annual reports referring to a year-end occurring on or after 1 April 2020 but before 1 May for a period of one month following the relevant deadline; and

c) half-yearly reports of UCITS referring to a reporting period ending on or after 31 January 2020 but before 1 April 2020 for a period of one month following the relevant deadline

- **Issues related to payment of cheques**

- On 31.03.2020 the Greek Government announced, by means of a new legislative act, the suspension of the time-limits for the submission, expiry and payment of cheques and other negotiable instruments issued by businesses which have suspended their operations or have been severely affected due to the spread of Covid-19, by setting a suspension of 75 days from the relevant date referred to on the body of said negotiable instrument (thus clearly resolving also the issue of the 'post-dated cheques'). This measure shall be in force from 30.03.2020 until 31.05.2020 and apply to negotiable instruments that will be electronically submitted, by the respective obligors and beneficiaries (issuers, holders, receivers) to the credit and financial institutions lawfully operating in Greece (via a special operation of the 'Teiresias' system) within 3 business days from 31.03.2020. Businesses that have not yet been included in the list of the businesses affected from the outbreak of Covid-19 by means of a ministerial decision may also benefit from this measure, provided their negotiable instruments are submitted to the credit and financial institutions via the 'Teiresias' system within 3 business days from the issuance of the ministerial decision, pursuant to which such businesses will be characterised as affected from the Covid-19 outbreak. A ministerial decision from the Minister of Finance is expected to clarify the specific process and technical details of submitting the electronic notifications with regard to the negotiable instruments through the 'Teiresias' system.

- Suspension of tax and social security obligations as of 1 April 2020 and onwards for businesses which present for payment negotiable instruments, the payment of which has been suspended in accordance with the above, provided that the aggregate value of those 'suspended' instruments is higher than 20% of their average monthly turnover of the immediately preceding tax year (based on the relevant VAT tax returns for the period). This measure is only applicable for businesses that have not been listed already as affected businesses due to the outbreak of Covid-19 by means of a leg act. All business which present a significant increase of their turnover during the covid-19 crisis (e.g. retail supermarkets) are expected to be set out in a ministerial decision of the Minister of Finance and are be excluded altogether from the perimeter of these measures regarding the negotiable instruments' suspensions.

- **State aid schemes**

  - In view of the Covid-19 outbreak, the European Commission mobilises two tools (two separate exemptions of aid compatible with the common market) in order to address the crisis and support the economy of Member States. Firstly, article 107 (2) (b) TFEU regarding state aid to compensate damages caused by exceptional occurrences; secondly, article 107 (3) (b) TFEU regarding state aid to remedy a serious disturbance in the economy of a Member State. In the context of the second

exemption, a new State aid Temporary Framework was adopted by the European Commission on 19.03.2020 and was amended on 03.04.2020 and 08.05.2020. Specific guidance is provided in the Temporary Framework, as amended , on the compatibility conditions applying on the following types of measures made available to them: (i) direct grants, repayable advances or tax advantages; (ii) guarantees on loans; (iii) subsidised interest rates; (iv) short-term export credit insurance; (v) aid for Covid-19 related R&D; (vi) aid for the construction and upscaling of testing facilities; (vii) aid for the production of Covid-19 relevant products; (viii) aid in the form of (selective) tax deferrals and/or suspensions of social security contributions; (ix) aid in the form of (selective) wage subsidies for employees, (x) recapitalization aid to non-financial companies in need; and (xi) subordinated debt measures to companies on favourable terms. The Commission has published templates for the notification of the respective measures.

Aid may not be granted to undertakings that were already in difficulty (within the meaning of Rescue and Restructuring Guidelines) on 31.12.19. Furthermore, aid granted by Member States under the Temporary Framework to undertakings, and channelled through banks as financial intermediaries, shall benefit the undertakings directly and does not have the objective to preserve or restore the viability, liquidity or solvency of banks. Nevertheless, if, due to the COVID-19 outbreak, banks were to require extraordinary public financial support in the form of liquidity or recapitalisation or impaired asset measures, it will have to be assessed whether the measures meet the conditions provided for by the BRRD and the SRMR.

Non-selective state measures applying to all companies in a Member State and measures directly benefitting consumers do not qualify as state aid and as such are not covered by the Temporary Framework.

The European Commission has until now approved five (5) Greek state aid schemes notified by the Greek Government under the Covid-19 Temporary Framework (briefly discussed below).

- Loan guarantees to financial intermediaries for working capital loans:

  The first Greek state aid scheme, approved by the European Commission on 03.04.2020 initially amounted to €2 billion. On 30.04.2020 its scope was extended and its budget increased to €2.25 billion in order to cover subsidization of guarantees. The scheme and constitutes support in the form of guarantees on loans in order to help businesses cover immediate working capital needs and -following its amendment- offers also the possibility for subsidization of the guarantee premiums for loans. The amended scheme will be co-financed by EU structural funds (ESIF). The measure will be implemented through the issuance of guarantees by the Hellenic Development Bank ('HDB') to financial intermediaries and will partially guarantee eligible working capital loans originated by financial intermediaries. The subsidization will take the form of direct grants from the newly established 'COVID-19 Guarantee Fund' of the HDB. This scheme is open to all Greek undertakings, incl. from 30.04.2020 the self-employed and the undertakings active in the aquaculture and agriculture sector also, with the exception of financial intermediaries, such as banks, undertakings active in aquaculture, agriculture and sectors non-eligible by the European Regional Development Fund.

- Repayable advances scheme:

  On 07.04.2020, the European Commission approved a repayable advances scheme amounting to an estimated €1 billion to support companies affected by the Covid-19 outbreak. The scheme, which is open to companies active in all sectors and applies to the whole territory of Greece, is targeted at companies having temporary financial difficulties due to the Covid-19 outbreak. Eligible for support under this scheme are undertakings that have suffered a significant reduction of their business activity, namely of at least 30% compared to the average business activity of the corresponding period in the preceding 3 years or the corresponding period if a company exists less than 3 years. An additional eligibility requirement is for the beneficiaries to have 1 – 500 employees. The support is to be disbursed by the Greek Independent Authority for Public Revenue (AADE) directly to the companies, without the intermediation of banks and will be granted until 30.06.2020.

– Grants for SMEs:

On 08.04.2020, the European Commission approved a €1.2 billion scheme in the form of grants to SMEs affected by the Covid-19 outbreak. The support is intended to cover interest up to €800K per company on existing debt obligations (fixed-maturity loans, bonds or bank overdrafts) for a period of 3 months, with an option for extension for another 2 months. The scheme will apply to the whole territory of Greece and will be open to SMEs from sectors affected by the Covid-19 outbreak in order to support their liquidity.

- Grants for companies in the floriculture sector:

On 05.05.2020 the European Commission approved a €10 million State aid scheme to support the floriculture primary production sector in the context of the coronavirus outbreak. The support will take the form of direct grants, implemented by the national Payment and Control Agency for Guidance and Guarantee Community Aid ("OPEKEPE"). It will be accessible to companies of all sizes active in this sector in Greece, in order to ensure that those companies have sufficient liquidity to maintain their activities during and after the outbreak. Undertakings active in the processing and marketing of agricultural products as defined in Article 2(6) and 2(7) of the Agricultural Block Exemption Regulation ("ABER"), are excluded from the scope of the measure. Also, aid may not be granted to undertakings that were already in difficulty, within the meaning of the General Block Exemption Regulation ("GBER") or the ABER, on 31.12.2019. Aid under this scheme can be granted until 31 December 2020.

- Wage subsidies to self-employed:

On 11.05.2020 the European Commission approved a €500 million Greek scheme to support self-employed individuals, including self-employed managers of small undertakings of up to 20 employees active in Greece in sectors affected by the Covid-19 outbreak. The measure is open to the sectors determined by joint ministerial decision (2 categories: sectors that were obliged to suspend their operations and sectors that are seriously hampered by the Covid-19 outbreak). Financial institutions are excluded from the measure. The measure provides aid in the form of direct grants to beneficiaries, through a one-off payment of €800 per self-employed person and corresponds to a period of 45 days (corresponding to 70% of the minimum national monthly wage) and it will be co-financed by ESIF. Aid may be granted under said measure no later than 31.12.2020.

4. Real Estate measures

- **Reduction of rents by 40%**

Legal entities and individuals affected by Covid-19 (i.e. entities the business of which has closed by virtue of the relevant government measures and the employees thereof) are entitled to pay 60% of the rent of the months of March and April for their premises and residence respectively, while landlords are not entitled to terminate the leave due to partial payment.

Same reduction applies to the rent of financial lease agreements for moveables and immoveables leased for the purposes of above affected businesses and for use by their employees. According to an amendment submitted to the Greek Parliament on 20.05.2020 by the Ministry of Finance, the term of the payment of the remaining 40% of the rent will be extended and divided in twelve (12) monthly installments for real estate financial leases and six (6) monthly installments for moveable asset leases and will be stipulated by virtue of agreements restructuring the existing financial lease agreements. By way of exception, the increased rents payable at the commencement of financial leases are payable in full on agreed dates.

According to above proposed amendment, , the 40% rent reduction scheme is expected to be extended to also cover the rents payable for the month of May for all the abovementioned leases, namely a) commercial leases of businesses which have closed, b) commercial leases of businesses that have been categorised as affected by the Covid-19 measures, c) residential leases of their employees whose employment agreements have been suspended. Said amendment is expected to also cover (a) residential leases of family members (i.e. students) dependent on above affected

employees (b) residential leases where the Lessor is the spouse or legal partner of above affected employees as well as (c) leases where the Lessor is seaman whose seamanship has been suspended.

The owners of leased assets will enjoy tax benefits and reductions. Please refer to section 11 below.

- **Extension of the deadline for the accurate declaration of real estate for municipal tax purposes**

The deadline for the submission of declarations (or submission of amendments to previous inaccurate declarations) towards the Municipal authorities for the calculation of municipal taxes and duties regarding the surface and use of owned real estate assets, has been extended from 31.03.2020 to 30.06.2020.

- **Inclusion of real estate related businesses to affected businesses list**

Real estate agencies, as well as real estate management and construction companies, have been included in the list of affected businesses that benefit from Covid-19 related measures regarding mainly tax, social security and employment issues.

- **Reopening of the Land Registries and Cadastre Offices**

By virtue of Legislative Act dated 25.4.2020 the Land Registries and Cadastre Offices have reopened as of 28.04.2020 and special conditions for their operation shall be applicable until 31.05.2020. During this period the following will need to be observed 1) recommendation for the use of masks to the public, 2) provision of antiseptic products in all public spaces, 3) observance of the safe distance obligation of at least 1.5 m, and, 4) limitation of the persons simultaneously present in closed spaces to 1 person per 10 sq. m. To this end, each Land Registry and Cadastre Office has issued a relevant decision with the measures ensuring safe operation thereof according to social distancing and public health requirements. Indicatively, as per the relevant decision of the Land Registry of Athens (the largest in Greece), all visitors will need to wear a protective mask and keep a safe distance. Further, the opening hours of its offices shall beis restricted and a limited number of persons may will be simultaneously admitted in order to use its facilities to conduct legal due diligence, to file deeds and acts for registration, to submit of applications certificates and deed copies, etc. Further, any meeting with the Head of the Land Registry with any interested party is possible by appointment only.

Useful links:

- Independent Authority for Public Revenue (IAPR) website: please click here
- Greek Parliament website: please click here
- Labor Inspectorate Body (S.EP.E) website: please click here
- Greek customs website: please click here

For updated information please contact your Taxand team in Greece at https://zeya.com/contact

15. HUNGARY *(UPDATED 14.05.20)*

Responding to the business situation caused by COVID-19 Hungary currently has an extraordinary legal order, which even allows for immediate legislation in view of the emergency was introduced on 11 March, 2020 by the Government. Considering the current situation, we recommend being carefully informed before taking economical decisions, especially, mainly after 18 March 2020, as several randomly issued Decrees have been published by the Government and more are anticipated in a step-by-step way. Eventually, the action plans are limited to a certain group of businesses with the following measures respecting to the occupational and economic protection. Companies outside the scope of selected business categories similarly having difficulty meeting their tax obligations due to cash flow problems may, according to the general and also the special rules have just entered into force, apply to the Hungarian Tax Authority for a payment facility (i.e. deferred payment or payment in instalments or even an one-time reduction). In addition, it is possible to request the reduction of the tax advance payments or even postpone submitting and publishing the financial statement.

15.1. Tax Measures

- ***Sector-specific tax / contribution relief for March to June 2020***

  Taxpayers' with main activity in the following sectors get certain employment related tax reliefs:

  - taxi or passenger transport, domestic water passenger transportation;
  - accommodation, catering, travel agencies, tour operators;
  - organization of conferences, trade shows;
  - entertainment activities, film production, programming, broadcasting;
  - sports, entertainment and leisure activities, gambling, betting;
  - daily newspapers, publication of journals and periodicals;
  - physical well-being;
  - Plant propagation, growing of crops, of flowers and plants (NACE 46.22);
  - Retail and wholesale of flowers, plants, etc; growing of grapes;
  - Retail of pet animals and pet food in specialized stores;
  - Hunting, trapping;
  - Distilling, rectifying and blending of spirits, manufacture of wine, beer.

  The abovementioned taxpayers shall receive the following tax benefits:

  - There is no obligation to pay social contribution tax payment obligation (17.50 %).
  - Only the health insurance contribution in kind (4 %) is deducted from the income of individuals, which cannot exceed the maximum amount of HUF 7,710 (approx. EUR 20) per month. In other words, the employee shall receive a minimum of 14.5 % or higher net income. However, he will remain insured and be entitled to social security and labour market benefits.
  - The taxpayers shall be exempt from paying the training contribution (1.5 %).
  - The obligation to pay the rehabilitation contribution is only THUF 966 per person and year (approx. EUR 2,700), namely only the 2/3 amount of the original rate of THUF 1,449. Besides, no advance payment is required.

  For the period of March to June 2020, small businesses (KIVA subjects), whose main activity is listed above, will not be required to consider their payments to personnel, as KIVA tax base.

- ***Itemized Small Business Tax (KATA)***

  Exemption from KATA payments for March to June 2020

  The legislation provides for a detailed list of activities, in case of which KATA subjects are exempt from their tax payment obligations (i.e. monthly itemized amount of HUF 50,000 (approx. EUR 140) for the period of March to June 2020. The exemption applies to those who already covered by KATA in February 2020. Examples of currently exempt activities include among others, but are not limited to, taxi or passenger transportation, hairdressing, beauty care, construction-related activities (such as electrical installation, painting, glazing, water, gas, heating, air conditioning), performing arts, human health services, event organization, hospitality, sports, leisure training, gambling, betting.

Suspension of Tax Debt - Instalment Payments

A small taxpayer may pay his KATA debt due before 1 March 2020 in 10 monthly instalments as from the first month after the quarter, in which the emergency ceases, without any additional charge.

- ***Contribution to tourism development***

  There is no payment obligation between the 1th of March 2020 and the 30th of June 2020**.**

- ***Social contribution tax***

  Social contribution tax will be decreased to 15.5% as from 1 July (current tax rate: 17.5%).

- ***Health care contribution***

  The health care contribution shall be paid by the employer in case of an unpaid leave (instead of the employees themselves).

- ***Fringe benefits***

  The fringe benefits of SZÉP-card payments have been extended; increased maximum payments, more preferential taxation until 30 June 2020.

- ***Extension of development reserves***

  Development reserves may be created for future investment. The reserves create a deductible item for corporate income tax in the year of creation, which is offset latter on with depreciation i.e. it is a form of accelerated depreciation for taxes. Due to the pandemic, the limits for development reserves had been extended and from now on the reserves may be formed up to the amount of the total pre-tax profit (formerly a 50% limit was applicable) up to a yearly cap of HUF 10 billion (EUR 28,5 million). The amended rules are available ongoing and voluntarily for the 2019 financial years as well (even with a retroactive effect by self-revision of potentially already submitted tax returns).

15.2. State support to salaries

- ***„Kurzarbeit" – the Hungarian way***

  As supporting to salaries, 70% of the salary difference shall be paid by the state for a period of 3 months for the salary part, the subsidy is; however, capped by the double the minimal wage per person.

  The support might be paid to the employee based on the mutual claim of the employer and employee provided that the following conditions are met:

  - the working time reduction may range between 15% to 75% of the normal working hours on 3-month average;
  - the basis of calculations is the base salary;
  - the scheme applies to remote or home office work as well;
  - the employer is obliged to maintain the jobs of the subsidized employees only;
  - "personal training time" is only obligatory if the decrease of the working time exceeds 50%, the employer must bear its costs, but the training time may be shifted to the next two years following the state of emergency; below a 50% decrease, the personal training time may be voluntarily granted;
  - the employee does not receive any other support or aid connecting to the same employment; further, the employment has started before proclaiming the emergency and it is not concerned with termination;
  - the employer exists for at least 6 months;
  - the employer has presented its economic circumstances;
  - the employer is neither supported with benefits connected to saving or presenting new workplaces nor employs an employee in the R&D area where aid is provided.

For the utilization of the support it is essential to have the so-called 'harmonized employment relations'; further, the economic reasons of the reduced working time and their close and direct connections to the pandemic emergency shall be presented.

The claim shall be submitted by the prescribed form of the National Employment Service. The government office brings its decision within 8 working days where the conditions are deeply analyzed. There is no possibility to submit an appeal against the decision and there is no space for legal remedy.

- ***Support of employees in the R&D industry***

Personalized wage compensation due to the coronavirus situation is provided to employees performing R&D activities. The rules are in effect from April 15. The amount of monthly contribution may not exceed HUF 318.920 /employee. A claim should be submitted in order to utilize the support where the claimant undertakes to keep the average statistical number of employees and further employment of such employees. The legislation provides for further preconditions as well.

15.3. Surtaxes levied to finance the economic package

- ***Retail surtax***

The retail surtax returns to the Hungarian tax system with an effective date of 1 May 2020. It entails companies operating in the retail sector independent from the method of sale, i.e. it also applies to e-commerce. The following activities fall under the scope of the surtax:

  - Sale of motor vehicles, including the sale of cars, light vehicles and other vehicles, but not including the wholesale of motor vehicles and trailers
  - Retail trade of motor vehicle parts and accessories
  - Sale, maintenance and repair of motorcycles and related parts and accessories, excluding the repair and wholesale of motorcycles
  - Any other retail trade (such as sale of non-specialized items, food, beverages, tobaccos, automotive fuel, information and communication equipment, other household equipment, cultural and recreation goods, other goods, retail sale via stalls and markets, distance selling, e-commerce and other retail sale)
  - all in which the customer may be a private person as well.

The tax liability shall be determined based on the net turnover; the bands and rates equal to the ones of the legislation in 2010:

  - HUF 0 up to a turnover of HUF 500 million;
  - 0.1% between a turnover of HUF 500 million and 30 billion;
  - 0.4% between a turnover of HUF 30 billion and 100 billion;
  - 2.5% over a turnover of HUF 100 billion.

Net turnover of related parties defined by the Hungarian Act on Corporate Income Tax shall be added up and then divided in proportion of their turnover.

According to the legislation, monthly advance payment liability shall be paid, the due date of the first advance payment is 31 May 2020. Further, the tax return on the advance payments of the whole year shall also be submitted until this deadline. The basis of the advance payment liability is the turnover data of the previous business year which may result in potential overtaxation, which may be reduced with claims.

- ***Surtax of financial institutions***

The surtax of financial institutes becomes due in three equal instalments by 10.6, 10.9. and 10.12.2020. Its tax base equals to the already existing banking surtax for 2020 for the tax base exceeding HUF 50 billion. The tax rate is 0.19%. The respective decree is in force from May 1.

15.4. Tax administration

- ***Quicker refund of VAT***

  Refundable VAT is provided quicker during the pandemic: within 30 days for normal taxpayer, and 20 days for reliable taxable persons.

- ***Payment facilitation***

  Payment difficulties caused by the Corona-crisis shall be understood as force majeure and thus, as evident. In this regard, the Hungarian Tax Authority may, upon request, allow automatically for deferral of payments or payment in instalments, either without additional charges (interest). If taxpayer is, due to solvency problems caused by the Corona-crisis, still unable to meet his obligations the taxpayer may request a new debt rescheduling.

  Corporate taxpayers may request a one-time tax reduction within 30 days following the end of the state of emergency if the payment would otherwise have negative impact on the taxpayer's business resulting from the Corona-crisis.

  The reduction is limited to one tax and is, with respect to the amount, capped by 20% or HUF 5 million (approx. EUR 14,000), whichever is lower. The remaining 80% of the tax must be settled without claiming any further tax breaks.

- ***Automatic tax relief***

  The scope of the automatic tax relief has also been extended, any taxpayer can apply for a 12-month instalment payment or a six-month interest-free payment deferral for any tax type with a maximum amount of HUF 5 million. The payment facility may be, in exceptional circumstances, also claimed for contributions and the personal income tax as withheld from the salary payable to the employees.

- ***Electronic Road Toll (EKAER) system***

  Guarantees paid to the Electronic Road Toll (EKAER) system shall be eliminated for the period of pandemic, the removal applies until the 30th day following the end of the state of emergency. Such funds must be, therefore, refunded to the taxpayer, including the waiver of bank guarantees.

- ***Reliable taxpayer status***

  The reliable taxpayer status cannot be lost during the crisis; the taxpayer will be considered as reliable for the period of the pandemic until the 30th day following the end of the state of emergency.

- ***Postponement of deadlines***

  The deadline for yearly tax reporting (not extended to so-called companies of public interest; e.g. corporations traded on the stock exchange of the European Economic Area, financial institutions, insurance companies, etc.), tax payment obligations (e.g. corporate income tax, innovation contribution, local business tax) and the preparation and publication of annual financial statements has been moved from 31 May to 30 September. Tax advance payment deadlines has also been postponed to this date (30 September).

15.5. Labour measures

- ***Flexible labour law provisions***

  As part of the protection package, the rules of working time banking become even more flexible.

  The currently applicable rules of the Labour Code provide for the possibility of setting the working time banking system at a maximum of 4 months or 16 weeks. Beyond these, the period of working time banking may go up to 6 months or 26 weeks for uninterrupted working schedule or at employers having several working shifts, at seasonal works, at jobs under the stand-by scheme and at passenger transportation and cargo.

According to the new regulations, the working time banking might be increased to 24 months. This also applies to already ongoing working time banking started before April 11. Only with limited exceptions, it is not possible to override the daily and weekly working time maximums; further, the rules of daily and weekly rest days and weekly rest times. This possibility gives more flexibility to the employer to compensate the already missed work capacities without more financial losses within the working time banking.

15.6. Other measures

- ***Childcare fee / Childcare allowance / Parenting allowance***

  The entitlement to health insurance and family benefits in respect of the care and education of the child shall be extended until the emergency situation has ceased. In fact, the Childcare fee (Gyed), the Childcare allowance (Gyes) and the Parenting allowance (Gyet) entitlements expiring during the emergency situation will be extended.

- ***School and public education closing***

  As of the 16th of March 2020, primary and secondary education institutions have been closed for an undefined period; also, kindergartens and crèches will be closed gradually.

  The support for parents staying at home is currently questionable. From the employer's point of view, in case the parent is otherwise unable to take care of the child and is therefore unable to take up work, it is to be considered as an incapacitated status under current law. At the same time this status is not to be paid by the employer, nor does it imply the entitlement for sickness benefit.

- ***Shorter business hours***

  As from the 17th of March 2020 in the stores stated by the commercial law with exception of the employees (e.g. replenishment, store cleaning, etc.), the stay between 15 pm – 06 am is strictly forbidden. As exceptions are defined commercial units with the following profile:

  - grocery stores;
  - store units selling perfumes, drugstore products, household cleaners, chemical products and hygiene papers;
  - pharmacies;
  - medical aids distributors;
  - fuel stations;
  - tobacco stores.

- ***Restaurants, catering industry closure***

  Between 15:00 pm to 06:00 am it is forbidden to stay in the catering shops (with ready-made or on-site meals, beverages typically for on-site consumption, including related entertainment and other service activities), with exception of the store's employees, respectively of the stay duration with purpose of ordering and picking up food and of paying the purchase price.

- ***Stay at home order***

  The Government has, on 27 March 2020, announced restrictions to leave homes first until 11 April 2020 (Easter Saturday); which was then extended to unlimited scope. The restriction is intended to reduce the number of social contacts and to protect the most vulnerable population, i.e. over 65. As a result, the following general measures have been taken regarding the extent of physical distance:

  - maintain a minimum distance of 1.5 meters from other people, even when using public transport, which does not affect people living in the same household;
  - staying in a restaurant, catering shops is allowed only for employees, others may enter only with the purpose of delivering or transporting meals and takeaways; and
  - departure, residence or private home may be left with justified reason only as defined in the Decree.

The legislation gives a precise list of the grounds for leaving the place of residence. It defines a fairly wide range of justification to leave the places of residence, so that in addition to basic care, it covers work, purchase of equipment, formal administration, staying out and also other services may be consumed.

The regulation remained in force around Budapest and Pest county; however, relieves in the rest of the country as from 4 May 2020.

15.7. Financial measures

- ***Debt moratorium***

Considering the state of emergency, the Hungarian National Bank (MNB) has requested the banks already on the 16th of March 2020 to apply a special case moratorium on repayment of corporate cases and called on the government to order a moratorium on repayment of corporate loans.

Due to the emergency, the Government has suspended repayment obligations of capital, interest, and additional payment obligations of loans, borrowings, credit agreements and leases concluded before the 18th of March 2020 up to the date of 31th of December 2020 both in cases of individuals and companies. There is to be mentioned, that the original term of the respective credit agreement will be extended with the duration of the debt moratorium period. Certainly, the debtor retains the right to continue repaying during the debt moratorium period.

- ***Lending - banking sector***

Debt moratorium

With respect to the credit moratorium announced, the Decree provides that the outstanding debt can be neither during the debt moratorium nor afterwards increased by interest. The interest, which is not paid during the moratorium, shall be payable in equal annual instalments after the term of the moratorium, together with any instalments otherwise due.

Growth Loan Program

With respect to the Growth Loan Program (NHP), the Hungarian National Bank (MNB) has decided to announce a moratorium on repayment of loans under the respective program already on 18 March 2020, allowing the banks to restructure NHP loans granted to small and medium-sized enterprises by way of rescheduling repayments.

- ***Preferential loan facilities***

There are several preferential financing facilities both for SMEs and for large enterprises.

In the new phase of the Funding of Growth Scheme (FGS Go!) SMEs can receive loans from HUF 1 million to 20 billion (approx. EUR 2.8-56 million) with a maximum fixed interest rate of 2.5% and with wide utilization opportunities (debt restructuring is also possible). Investment credits for the acquisition of tangible assets, intangibles, companies established before 1 January 2020 etc. may be granted with a maturity of 20 years and may be called up over a period of 3 years. Working capital loans with a maturity of up to 3 years may be utilized for receivables, inventories, wages or even the refinancing of EU subsidies.

Other state-subsidized loans are available for SMEs and large companies too. In this scheme, the government involves financial institutions (in particular the MFB, Hungarian Development Bank) to provide loans for various utilization purposes (investment, working capital loans, liquidity facilities) with decreased interest rates. State guarantees will also be provided to these loans and to already existing loan facilities. The debt may be covered up to 80%-90% with a guarantee fee of 0.2%-0.3%, which highly decreases the need to provide collateral by the debtors.

- ***Lease contracts***

  For the specific sectors referred in the chapter Tax Measures, the lease contracts cannot be terminated or the lease fee cannot be increased until the 30th of June 2020, even if otherwise permitted by the contract.

- ***Paypass limitation***

  As from 15 April 2020 at the latest, the value limit of contactless payments, which do not require a PIN (PayPass), has been increased to HUF 15,000 (approx. EUR 40) from HUF 5,000 (approx. EUR 14).

- ***Violations and Sanctions***

  According to the Government Decree, a violation occurs for instance by staying on the territory of a grocery store or other store at an unauthorized time or in an unauthorized manner. The penalty of such an event is a fine of between HUF 5,000 and 500,000 (approx. EUR 14-1,420).

- ***State aids***

  The state aid opportunities introduced this week in line with the announcement of the European Commission. Competitiveness aid is eligible to medium-sized and large enterprises established in Hungary, mainly in the manufacturing or the service sector. Several sectors (e.g. steel sector, commercial and export related activities etc.) are excluded from the scope; however, the related NACE codes have not been clarified yet. Among others, the subsidy is subject to the following requirements:

  - the company was not in difficulties on 31 December 2019;
  - it proves to have experienced a decline in sales revenue or orders in connection with the COVID-19 pandemic of at least 25%;
  - the company is under obligation to make domestic investments of at least EUR 150,000 until 30 June 2021;
  - it must commit to the maintenance of jobs during the investment and in any case, until 31 December 2020;
  - the applicant has no insurance or it cannot cover the damages caused by the Coronavirus crisis; and
  - the company has no public debts and has settled employment relations.

  The subsidy shall be, following the application, granted in advance. Incentive deeds can be issued until 31 December 2020 at the latest. The budget is capped at HUF 50 billion of which a corporate group may receive an amount of up to EUR 800,000, together with domestic affiliated companies. The amount of the aid is linked to the investment volume:

  - 30% for investments of EUR 150,000 to EUR 300,000;
  - 40% for investments of EUR 300,001 to EUR 500,000; and
  - 50% for investment exceeding EUR 500,000.

Useful links:

- Corona website of the Hungarian Government: click here.

For updated information please contact your Taxand team in Hungary at:

https://www.leitnerleitner.hu/hungary/hu/about-us

16. INDIA *(UPDATED 21.05.20)*

The Indian government, the Reserve Bank of India/ Central Bank (RBI) and Securities and Exchange Board of India (SEBI) have announced a slew of measures over the past few months to reduce the economic consequences of Covid-19 on business, legal/ statutory and financial fronts respectively.

- **Socio-economic package equivalent to 10% of India's GDP**

  Relief measures and relaxations by the adminsitration cumulates to ~₹ 20t (~$300b) and have been pumped into the mainstream through fiscal/ financial and social measures.

- **Tax Measures**

  Various compliance relaxations and financial reliefs have been promulgated through a Taxation & Other Laws Ordinance as well as other notifications/ circulars. The effect of the said action is as under:

  - ***Income Tax***
    - Reduction in TDS/ TCS rates by 25% in case of non-salaried resident payments with immediate effect through FY 2020-21
    - The deadline for payment to any savings scheme or other contributions eligible for deduction from taxable income has been extended up to June 30th, 2020
    - All pending refund claims under income tax (up to an amount of $7k) and that to charitable trusts and noncorporate businesses & professions including proprietorship, partnership, LLP and Co-operatives shall be issued immediately
    - The due dates for various compliances such as tax payments, filing of returns etc, have been extended to June 30th, 2020. The deferral is coupled with lower interest rates
    - Due date for filing returns for FY 2019-20 extended from July 31st, 2020 & October 31st, 2020 to November 30th, 2020 and that for tax audit from September 30th, 2020 to October 31st, 2020
    - Due to assessments expiring during FY 2020-21 suitably extended
    - Payments under Vivaad Se Vishwas (Direct Tax) Amnesty Scheme
      - The phase 1 of the scheme (i.e. opting for amnesty without additional payment as prescribed), originally expiring on March 31st, 2020 was initially extended to June 30th, 2020, now stands extended to December 31st, 2020
      - Phase 1 allows highest possible relief under the scheme
    - GAAR and GST reporting under the Income Tax Audit Form has been deferred by an year amidst Covid crisis
    - Safe Harbour Rules notified for assessment year 2020-21, previous rates to continue to apply
    - Mandatory e-payment settlement with vendors/ customers exempted for B2B businesses

  - ***Residency rules under Income Tax code***
    - Clarified that in order to avoid genuine hardship in cases where an individual's prolonged stay in India (owing to Covid-19) would not affect the determination of residency status for financial year 2019-20. Following scenarios are covered for this purpose:
      - For individuals unable to leave India, generally, period of stay between March 22nd, 2020 through March 31st, 2020 would not be considered
      - For individuals quarantined due to virus scare/ precaution a period of stay between date of beginning of quarantine and (a) date of departure on an evacuation flight before March 31st, 2020; or (b) March 31st, 2020, as the case may be would not be considered

- In other cases, who exited India on an evacuation flight on or before March 31st, 2020, the period stay between March 22nd, 2020 and the date of the evacuation flight would not be considered

- ***Setting up PM CARES fund***
  The Government has set up a specified fund, PM CARES, for providing relief to the persons affected due to the outbreak of the pandemic. Contributions to the fund would be eligible for a 100% deduction from taxable income.

- ***Goods & Services Tax***
  - The due dates for various compliances such as tax payments, filing of returns etc, have been extended to June 30th, 2020. The deferral is coupled with waiver of/ lower interest rates.
  - A complete waiver of penalties and other fee for non-compliances during the affected period has also been announced.
  - Mandatory digital signature requirements for GST filings have been suspended temporarily
  - Provision notified for transfer of balances lying in GST e-cash ledger to ledger of different heads
  - Clarified that the time limit of 90 days allowed to merchant exporters (i.e. time between procurement and export) has been extended to June 30th, 2020 provided the original due date fell/ fall within March 20th – June 29th, 2020
  - All pending refund claims to be processed on an immediate basis.
  - Clarification issued to suggest that where any advance was subjected to GST and subsequently the transaction was cancelled, the tax already could be adjusted forward or sought as refund

A total payout of ~₹ 180b (~$2.6b), in tax refunds, already released thus far.

- ***GST e-invoicing as well as QR code implementation***
  Implementation deferred to October 1st, 2020

- ***Extension of limitation period for other statutory actions***
  Extension of limitation period for actions such as issuance of notice, filing of appeal/ applications/ references, furnishing of returns/ statements/ information/ declarations under various tax laws.

- **International Trade/ Customs Measures**

- ***Foreign Trade Policy and procedures***
  - India has extended its Foreign Trade Policy 2015-20 up to March 31st, 2020
  - Period to claim incentives, exemptions, benefits, etc over the intervening period of February to July 2020 has been extended by 3-12 months
  - Likewise, period to fulfill obligations corresponding to benefits/ exemptions/ incentives availed under the policy, due for expiry between February to July 2020 has also been extended by 3-9 months
  - Timelines for status units to be Net Foreign Exchange Positive extended/ relaxed
  - Various periodic filings (such as obligation fulfilment status, performance reports, etc), validity of status certificates has also been suitably extended
  - Preferential certificate of origin allowed for filing/ issuance through electronic means
  - All proceedings to be conducted & accepted electronically

Appropriate customs notifications, trade facilitation notices wherever required, to give effect to policy changes above have also been issued.

- ***Duty Exemptions***
  - Complete exemption from payment of basic customs duty as well as health cess (wherever applicable) on import of ventilators, masks, PPE, Covid testing kits and raw material required for manufacture of the stated items
  - Upfront exemption from payment of intergrated goods & services tax and compensation cess extended to 31 March 2021, for good to be imported by export oriented units ("EOU") and units located in STPI

- ***Export Policy of Certain Items***
  - Export of hand sanitizers/ masks/ all ventilators including any artificial respiratory apparatus or oxygen therapy apparatus/ any other breathing appliance/device prohibited.
  - Non-alcohol based hand sanitizers & non-medical masks, however, restored in permissible export category in May 2020.
  - Export of hydroxychloroquine and its formulations has been prohibited with only exception to government of India, where exporting it on humanitarian grounds
  - Export of diagnostic kits falling under HS Heading 3822 has been restricted and would thus, require a license
  - Export of 12 identified APIs and its formulations have been allowed without any license requirement
  - Export policy of paracetamol formulations (including FDCs) have been changed from 'Restricted' to 'Free'

- ***Sunset Review of Anti-Dumping Duties***
  - The Directorate General of Trade Remedies (DGTR) has revised the timelines for filing of a petition/application for initiation of a sunset review of anti-dumping duties from present 270 days to 180 days, prior to the expiry of anti-dumping duties, if the DGTR is satisfied with the genuineness of the difficulty faced by the domestic industry in meeting the existing deadline of 270 days
  - The petitions/ applications may also be accepted up to 120 days prior to the sunset date in exceptional circumstances
  - The decision in both cases is at the discretion of the DGTR

- ***Other facilitation***
  - 24 x 7 Custom Clearance till June 30th, 2020
  - E-delivery of gate passes & final bill of entry to importers or custom brokers to further reduce human interface
  - Dedicated single window Novel Coronavirus helpdesk at ports to address hardships faced by the importers/ exporters due to the current situation
  - Relief in case of delayed clearance of consignments, by importers, in form of waiver of late fee and penalty
  - Accepting undertaking in lieu of surety bond till 15.05.2020 and consequently submission of proper bond till 30.05.2020
  - Director General of Shipping Lines has advised the ICDs, CFSs, Indian seaports, carriers, shipping lines against imposing demurrage or detention charges for the period during which

lockdown is imposed as the importer/ exporter may be precluded from taking necessary actions for removal of goods
  - Fast track disposal of customs refunds; minor deficiencies/ errors/ mismatch in refund application by exporter of goods, to be overlooked
  - Implementation of Electronic Sealing-Deposit in and removal of goods from Customs Bonded Warehouses extended till 30.06.2020
  - Allowing transfer of IT equipments (computers, etc) to home of employees of certain status units (STPI units, etc, where customs restriction applies on removal of goods/ assets). This is purely to facilitate work from home currently

- ***Extension of limitation period for other statutory actions***
  Extension of limitation period for actions such as issuance of notice, filing of appeal/ applications/ references, furnishing of statements/ information/ declarations under various customs & allied laws.

- **Financial Measures**
  - Central Bank lending rates reduced by 75 basis points to 4.4%, cash reserve ratio also slashed by 100 basis points to 4%. Reverse repo rate reduced to, now stands at 3.75%
  - Central Bank prioritizing liquidity action inter-alia through various open market operations
  - A special liquidity facility of ~₹ 500b/ ~$7b for mutual funds, by the Central Bank up to May 11th, 2020
  - Three-month moratorium on payment of instalments of all kinds of term loans including credit card dues
  - Interest on working capital facilities to be deferred by three months
  - Instalment/ interest deferment shall not be considered for purposes of Bank's asset performance classification
  - RBI announced that there would be an asset classification stand still from March 1, 2020 to May 31, 2020 for all accounts which were standard as on March 1, 2020 and accordingly for such accounts the 90-day NPA norm shall exclude the moratorium period. NBFCs have flexibility under the prescribed accounting standards to consider such relief to their borrowers
  - RBI announced that the period for resolution plan shall be extended by 90 days under RBI's prudential framework of resolution of stressed assets dated June 7, 2019
  - The LCR requirement for Scheduled Commercial Banks has being brought down from 100 % to 80 % which shall be restored to 90% by October 01, 2020 and to 100% by April 01, 2021
  - Combined liquidity worth over ~₹ 3740b/ ~$55b (equivalent to 3.2% of India's GDP) injected within the system and the span is only increasing further
  - The time period for realization and repatriation of export proceeds for exports (of goods and software) made up to or on July 31st, 2020, has been extended to 15 months from the date of export
  - Banks don't need to activate countercyclical capital buffers for one more year implying that the banks can utilise the capital earmarked for the buffer for routine business operations, this is a further no cost step towards enhancing liquidity within banking channels
  - Banks ordered to maintain higher provision of 10% on all frozen loans spread over the January-March and April-June quarters, which can be adjusted later against actual slippages
  - Scheduled commercial banks and cooperative banks will not make any further dividend pay-outs from profits pertaining to the financial year ended March 31, 2020 until further instructions
  - Ways and Means Advances (WMA) limit for State governments (a temporary liquidity arrangement with the central bank) enhanced by 60 per cent till September 30th, 2020 to improve fund flow and liquidity

- India opened up a wide swath of its sovereign bond market to overseas investors, taking its biggest step yet to secure access to global indexes as the government embarks on a record borrowing plan

- ***Credit Ratings***
  - Circulars issued to direct credit rating agencies to consider impact of lockdown on cases of default in the intervening period
  - Relaxation from timelines for rating action/ issue of press release by agencies stipulated vide SEBI circular dated June 30, 2017 has been granted
  - Further, an extension of 30 days has been granted for making annual and semi-annual disclosures by agencies on its website for the period ended March 2020.

- **Measures for Companies**
  - Additional fee moratorium period up to September 30th, 2020 for any filing with the MCA-21 Registry, irrespective of its due date. This would reduce the compliance as well as financial burden
  - The mandatory requirement of holding meetings of the Board of the companies within prescribed interval shall be extended by a period of 60 days till next two quarters i.e., till September 30th, 2020. Also, the period of notice for board meeting till July 31st, 2020 reduced to two days
  - Annual general meeting could be held by way of video conferencing/ other audio-visual means during the calendar year 2020
  - Physical annual reports for calendar year 2020 have been dispensed with
  - Delay in intimation to Stock Exchanges regarding loss of share certificates and issue of the duplicate certificates, will not attract penalty
  - Applicability of Companies (Auditor's Report) Order, 2020 shall be made applicable from the financial year 2020-2021 instead of from 2019-20 notified earlier
  - Departure, from the requirement for Independent Directors of companies hold at least one meeting without the attendance of Non-independent directors and members of management, would not be viewed as violation for the year 2019-20
  - Period for certain compliances extended to June 30th, 2020
    - Requirement to create a Deposit reserve of 20% of deposits maturing during the financial year 2020-21
    - Requirement to invest 15% of debentures maturing during the financial year 2020-21
  - Authentication/certification of any filing/submission made to stock exchanges under LODR may be done using digital signature certifications until June 30, 2020
  - Publication of advertisements in newspapers for companies which have listed their non-convertible debentures/non-convertible redeemable preference shares, as required under regulation 52(8) of LODR till May 15, 2020, has been exempted
  - Settlement/ Amnesty scheme for Companies and LLPs to make good their pending defaults qua filing documents for past period
  - Clarification issued on what constitutes CSR expenditure to combat Covid-19. Contribution to PM Cares fund to be recognized as CSR spend by Companies. *[PS: CSR expenditure up to a specified threshold is mandatory for companies.]*
  - Independent directors to get their names enrolled in the database maintained for independent directors by the Indian Institute of Corporate Affairs, the time period has been further extended from 5 months to 7 months, from December 1, 2019

- ***Reforms with a vision of Self-Reliant India***
  - Measures for companies
    - Decriminalization of violations involving minor technical and procedural defaults
    - Direct listing of securities by Indian public companies (i.e. without prior approval) in permissible foreign jurisdictions
    - Private companies which list their non-convertible debentures on stock exchanges will not be regarded as listed companies
    - Lower penalties for all defaults for small companies, one-person companies (OPCs), producer companies and start-ups

- **Legal Measures & Perpsectives**
  - Validity of interim order of various courts, expiring over the pandemic period, deemed extended by 30-45 days by most courts

  - ***Insolvency Proceedings***
    - Minimum threshold for the default amount to initiate insolvency proceedings being raised from ₹ 10m/ ~$150k (from the existing threshold of ₹ 100k/ ~$1,500)
    - Special insolvency resolution framework for MSMEs proposed to be notified
    - Suspension of fresh initiation of insolvency proceedings up to 1 year depending upon the pandemic situation instead of the earlier proposed 6 months.
    - Exclusion of COVID-19 related debt from the definition of “default” under IBC for triggering insolvency proceedings.

  - ***Opportunistic Takeovers/Acquisitions of Indian Companies***
    - The Government of India has revised its Foreign Direct Investment (FDI) policy for curbing opportunistic takeovers/acquisitions of Indian companies due to the current Covid-19 pandemic.
    - Any transfer of beneficial ownership, by an entity or person based in a country that shares land border with India, would require a prior government approval

  - ***Capital Raising - Relaxations***
    - In the backdrop of COVID-19, with a view to improving access to funding to the corporates through capital markets, SEBI has decided to grant certain temporary relaxations from the regulatory provisions related to rights/public issuances/further public issuance by listed entities. These relaxations are:
      - An issuer, whose offer document is pending receipt of SEBI observation, shall be permitted to increase or decrease the fresh issue size by up to 50% of the estimated issue size (instead of the present limit of 20%) without requiring to file fresh draft offer document with SEBI. The relaxation shall be applicable for all offer documents pending receipt of SEBI observations up to December 31, 2020.
      - Extension of the validity of SEBI observations on all proposed public issues/rights issues (for corrective measures) by 6 months from the date of expiry for issuers whose observation has expired/ shall expire between March 1, 2020 and September 30, 2020
      - Expanding the universe of listed entities that are eligible for raising funds through fast track rights issuances, which open on or before March 31, 2021

- To provide greater flexibility in fund raising, the threshold for minimum subscription requirements for a rights issue has been reduced from existing 90% to 75% of the offer size, subject to certain conditions.
- Increased threshold for not filing draft letter of offer with SEBI for rights issues, which open on or before March 31, 2021

  - A consultation paper on 'Pricing of Preferential Issues and exemption from open offer for acquisitions in Companies having Stressed Assets' has been released to allow stressed companies to raise funds and allow the acquirers to takeover such companies
    - Comments on the Consultation Paper are invited till May 13, 2020
  - Regulations provide that the listed companies cannot raise further capital for a period of one year from the expiry of buyback period. In view of Covid-19 the period requirement has been relaxed to 6 months
  - Requirement for issuing physical notice for rights issues opening up to July 31st, 2020 has been dispensed with

- ***Countrywide Lockdown, Whether Force Majeure***
  - The Delhi High Court, in a commercial suit, observes that Covid-19 lockdown is prima facie in the nature of force majeure. Holding this, through interim order of the court, operation of some contractual aspects between the parties have been stayed till final disposal of the matter

- ***Appreciable Adverse Effect on Competition***
  - Appreciable adverse effect on competition is prohibited under the Competition Act, 2002
  - Competition Commission of India (CCI), in view of the prevailing circumstances in the country due to the Covid-19 pandemic, has issued an advisory for the businesses operating in India. Through this advisory the CCI has recognized and highlighted that the Competition Act provides for certain built-in safeguards to protect businesses from sanctions for certain coordinated conduct of competitors, provided such arrangements lead to increase in efficiencies; however, those leading to appreciable adverse effect on competition is prohibited
  - The CCI cautioned that only conduct, which is necessary and proportionate to address the concerns arising out of Covid-19 would be granted favorable consideration (while examining) and that businesses must not take advantage of the current situation to contravene the provisions of the Competition Act

- ***Workplace Guidelines & Compensation regarding***
  - A detailed order of the Ministry of Home Affairs, Government of India, inter-alia providing that employers ensure no deduction of pay to employees in current situation was issued and later challenged in the court of law. As events unfolded, the government has now withdrawn the said order
  - Social Security
    - Social security contributions for eligible employees of private institutions for March to May, 2020
    - In all other cases, the contribution threshold to be reduced to 10% from existing 12% each for next 3 months
  - Other guidelines include workplace hygiene, sanitization norms and distancing norms

- ***"Self-Reliant India"* – Key Sectoral Reforms & Other Administrative Measures**

- ***Agriculture, Animal Raising & fisheries***
  - Financial Measures
    - Additional working capital facilities through NABARD for farmers as well as issuance of credit card to farmers for concessional credit
    - Financial Package for integrated, sustainable, inclusive development of marine and inland fisheries.
    - Interest subvention on small loans, up to 2%, for a period of 12 months post the moratorium
    - Additional credit facilities and guarantees for loan/ credit lines to farmers, migrant labourers, street vendors, etc.
    - Other liquidity measures to support farmers & rural economy. Interest subvention @2% per annum to dairy cooperatives for 20-21
  - Measures relating to minimum support prices
    - Amendments to Essential Commodities Act to enable better price realisation for farmers and other agricultural marketing reforms
    - Agriculture Produce Price and Quality Assurance
  - Enhanced crop insurance for farmers
  - Setting up of funds for:
    - Farm gate infrastructure
    - Animal husbandry infrastructure development
    - Promotion of herbal cultivation
    - Beekeeping initiatives

- ***Energy & Infrastructure***
  - Energy
    - Financial Package for lowering debt/ creditors of power discoms
    - Privatization of discoms in union territories
    - Atomic energy related reforms
  - Extension of time to contractors, extension of concession period in PPP contracts and release of performance security
  - Enhanced viability gap funding for social infrastructure projects

- ***Real Estate***
  - Treat COVID-19 as an event of 'Force Majeure' under for real estate regulatory purposes
  - Converting government funded housing in the cities into Affordable Rental Housing Complexes to facilitate accommodation for migrant labourers and incentivize public/ private agencies/ entities for undertaking similar activities
  - Credit Linked subsidy scheme for middle income group to encourage housing investments, which in turn would boost ancillary sectors & industries

- ***Relief to contractors***
  - Extension of up to 6 months (without costs to contractor) to be provided by all Central Agencies
    - Covers construction/ works and goods and services contracts
    - Covers obligations like completion of work, intermediate milestones etc. and extension of Concession period in PPP contracts

- Government agencies to partially release bank guarantees, to the extent contracts are partially completed, to ease cash flows

- ***Defence, Aviation & Aerospace and Space***
  - Foreign Direct Investment (FDI) Limit in Defence Manufacturing under the automatic route raised from 49% to 74%
  - Import of specific weapons/weapons platforms into India will be banned with year-wise timelines – list to be issued
  - Indigenization of imported spare parts for weapons, vehicles and planes
  - Separate budget provision to be introduced for domestic capital procurement
  - Establishment of a Project Management Unit to speed up the procurement process and ensure time-bound and faster decision-making
  - Overhaul of weapon trial and testing procedures
  - Aviation
    - Easing the restrictions on utilization of Indian airspace
    - More airports through PPP mode
  - Convergence between Military and Civil Aircrafts MRO will be established to create economies of scale
  - Financial package for developing MRO hub
  - Space
    - Level playing field for private companies in satellites, launches and space-based services
    - Predictable policy and regulatory environment
    - Future projects for planetary exploration, outer space travel etc to be open for private sector.
    - Liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs

- ***Coal and Minerals***
  - The Government will now usher in commercial mining in the coal sector (thus ending its monopoly in the sector)
  - Financial package for development and creation of evacuation infrastructure so as to evacuate mined coal
  - Reserve price in auctions for non-power consumers reduced; credit terms eased; and the enhancement of the lifting period
  - A seamless composite exploration-cum-mining-cum-production license is to be introduced, aimed at mitigating the uncertainty with respect to financial investment in exploration, mining and production separately
  - The distinction between captive and non-captive mines is to be removed to allow for the transfer of mining leases and sale of surplus and unused minerals. This is aimed at improving efficiency in mining and production
  - The Ministry of Mines is in the process of creating a Mineral Index categorizing different minerals available in India
  - Stamp duty payable at the time of award of mining leases is to be rationalized

- ***Micro Small Medium sized enterprises***
  - New definition of MSMEs for larger coverage and in turn deeper penetration of government schemes & measures
  - Emergency liquidity measures

- ~₹3000b (~$45b) Collateral free Automatic Loans for Business
- ~₹200b (~$3b) Subordinate Debt for stressed units
- ~₹500b (~$7b) equity infusion through MSME Fund of Funds

- ***NBFC, MFI & HFC***
  - Refinancing of All India Financing Institutions (NABARD/ SIDBI/ NHB) by ~₹ 500b/ ~$7b. The amounts to be used for financing/ refinancing micro finance institutions, NBFCs, housing finance companies amongst others
  - In addition to above, under a special liquidity scheme investment made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs amounting to ~₹ 300b/ ~$4b would be fully covered by a Sovereign guarantee; this will ease out raising money by relevant businesses
  - NBFCs, HFCs and MFIs with low credit rating require liquidity to do fresh lending to MSMEs and individuals. To enable borrowing by such entities, the government shall guarantee first 20% of both principal and interest

- ***Bulk Drug Parks***
  - Financial aid to various states setting up such parks
  - Parks to have common facilities such as solvent recovery plant, distillation plant, power & steam units, common effluent treatment plants
  - Those desirous of setting up units would be exempted from obtaining environment clearances
  - Production linked financial incentives to manufacturing of 53 identified drugs
  - A total financial commitment of $1.5b by Government of India in this regard

- ***Champion sectors***
  - As many as 12 champion sectors have previously been identified by the Indian government and more would now be added to the list
  - Incentive schemes to be launched for investments in these sectors particularly

- ***Other Administrative Measures***
  - To open all sectors to the private sector, while public sector enterprises today have a control monopoly due to government policy
  - Ranking of states on parameters for ease of doing business & investment attractiveness
  - Global tenders to be disallowed in government procurement up to ~₹ 2000m (~$29m)
  - Compensatory Afforestation Management & Planning Authority to Institute a fund for undertaking afforestation and plantation activities, in turn generating employment

- **Startups**
  - Rent, in government owned IT software parks, for the period 1 March 2020 to 30 June 2020, waived for startups. A move that protects over 200 startups, who generate employment for ~3000 people

- **Social Measures**
  - Finance Minister announced Mega Economic Relief Package intended to benefit health care workers, farmers, migrant workers and poor/ daily wage labourers. Various initiatives announced are as follows:

  - All health workers including doctors, paramedics, health workers, cleaners, etc to be provided personal medical insurance cover of ₹ 5m/ ~$75k per person
  - Direct Bank Transfers and food security for lower income group/ daily wagers/ poor section society/ senior citizens amongst others
  - Doubling the limits for collateral free loans to identified category of small businesses
- Free food gran facilities for identified category of population
- Insurers instructed to assume risks in case of third-party auto insurance as well as health insurance policies despite a delay in renewal, by the insured, in case the due date falls during the lockdown period

- **Media bytes/ press releases, that may impact business/ tax considerations**
  - India is developing a land pool nearly double the size of Luxembourg to lure businesses moving out of China
  - States push incentive schemes to attract investments
  - More Champion Sectors in the making
  - Prime Minister Modi's vision of Self-reliant India and being Vocal for Local to development Global brands could prove to roots of a new India
  - Digital tax even more important in times of pandemic, a suspension or deferral not on cards
  - A voluntary & non-administrative report by tax officers regarding post Covid measures for tax mop-up, draws ire of the government. Included suggestions such as rich tax, revivification of wealth tax, a 4% Cess for Covid-Relief etc & other controversial recommendations

For further information please contact your Taxand team in India at elplaw.in. Also, refer for:

- Detailed write-ups concerning business continuity in these unpredecented times - click here
- *COVID for COVID*, a series of 10 taxation newsletter – click here
- Webinar on tax risks & opportunities in the pandemic times – click here

Useful links:

- Indian Ministry of Finance's website: click here
- Direct Taxation (Acts/ Notifications/ Circulars): click here
- Indirect Taxation & Customs (Acts/ Notifications/ Circulars): click here
- Taxation Ordinance for Covid: click here
- International Trade Policy (Policy/ Procedures/ Notifications/ Trade Notices): click here
- Reserve Bank of India's website: click here
- Company Matters: click here
- Securities & Stock Exchange Matters: click here
- Press Releases: click here

17. INDONESIA *(UPDATED 21.05.20)*

On March 13, 2020, the Coordinating Ministry of the Economic Sector of the Republic of Indonesia held a press conference to announce the second economic stimulus to be provided in handling the impacts of COVID-19. Such economic stimuli were ratified on March 21, 2020 through Minister of Finance Regulation No. 23/2020 **(Tax Incentives for Taxpayers Affected by the Coronavirus, PMK-23/PMK.03/2020).**

17.1. Fiscal measures

- **Tax Incentives for Taxpayers Affected by the Coronavirus (PMK-23/PMK.03/2020)**

  Relaxation on Article 21 Income Tax (withholding tax on salary) for a duration of 6 months, for employees of the processing industry

  The Processing Industries mentioned in this regulation (for 440 business field classifications) will be provided relaxation on Article 21 Income Tax, effectively allowing liquidity and greater income for the employees in the production industry. The Article 21 Income Tax covered by the Government will be provided to Employees who are Tax ID holders and have an annual fixed gross income of <IDR 200 million; starting from April 2020 up until September 2020.

For the processing industries listed in the 102 business field classifications, the following incentives are available:

- **Relaxation on Article 22 Income Tax on Imports for a duration of 6 months**

  The relaxation on Article 22 Income Tax on Imports for specific sectors (102 business field classifications), Import for Export taxpayers ("KITE") and Import for Export SME taxpayers ("KITE IKM") is aimed to allow continuous cash-flow for industries.
  The Article 22 Income Tax Incentives on imports will be exempted by request process, which will take 3 working days and will remain valid until September 30, 2020.

- **Reduction on Article 25 Income Tax of 30% for a duration of 6 months**

  In hopes of maintaining economic stability and increase in exports, the 30% reduction on Article 25 Income Tax (monthly tax installments) will be provided to promote export.
  The 30% Article 25 Income Tax reduction is applicable through the submission of a statement letter to the Tax Office in which the Taxpayer is registered. This reduction will be valid from the notified Tax Period for reduction until September 2020.

- **Acceleration on the VAT Refund for a duration of 6 months**

  Preliminary refund incentives for VAT restitution are for Low-risk Taxable Entrepreneurs with total tax overpayment <= IDR 5 billion. This incentive will be valid from April 2020 to September 2020.

On March 21, 2020, Director General of Taxes of the Republic of Indonesia ratified the following decrees regarding Annual Individual Tax Returns.

- **Taxation Policies in Connection with the Spread of the Coronavirus Disease 2019 (COVID-19) (KEP-156/PJ/2020)**

  In light of recent developments in the spread of the Coronavirus, the Indonesian government has declared the period of March 14, 2020 up until April 30, 2020 as a period of force majeure. The Directorate General of Taxes has announced that certain administrative sanctions for the said time period will be written off. The administrative sanctions concerned refer to the delayed submission of Individual Annual Income Tax Returns for 2019; and the delayed payment of tax underpaid in Individual Annual Income Tax Returns for 2019. As such, an extension will be granted until April 30, 2020.

For Individuals participating in Tax Amnesty Program previously, the deadline for the annual report submission is also prolonged to April 30, 2020.

As of March 31, 2020, several adjustments and taxation facilities have been made available in response to developments in the spread of COVID-19 in Indonesia as well as the maintenance of financial stability and in defense against possible national economic threat.

- **Adjustment of Corporate Income Tax for Local and Permanent Establishment Taxpayers have been adjusted to 22% (for the Tax Year 2020-2021) and 20% (starting from the Tax Year of 2022)**. In the case of public listed companies, income tax will be adjusted to 3% lower than the regular rate to 19% for the Tax Year of 2020-2021, and 17% starting from 2022 ; given that the company meets the conditions of a minimum of 40% shares in the IDX, ownership of such shares by at least 300 parties, and such conditions must be met within 183 calendar days in one Tax Year.

- **Treatment of taxation in Trade activties via Electronic Systems (*Perdagangan Melalui Sistem Elektronik/ PMSE*)**. VAT will be imposed on the use of Intangible Taxable Goods and/or Services from outside the customs area into Indonesia conducted by PMSE entrepreneurs appointed by the Ministry of Finance.

  Income Tax will be imposed on foreign traders, foreign service providers, and foreign PMSE entrepreneurs that are in the form of permanent establishments (PEs) in Indonesia and hold significant economic presence. If due to a Double Taxation Agreement, they are not categorized as PEs, but are foreign traders, service providers and PMSE entrepreneurs, then they will be subject to Digital Tax. A goverment regulation will be issued on the details.

- **Extension period for execution of rights and fulfillment of taxation obligations which are due within the declared duration of force majeure conditions of the COVID-19 pandemic**. Such period of force majeure is due to the declarations made and announced by the Government through the National Board for Disaster Management (BNPB) starting 28 January 2020 up to 29 May 2020 (BNBP Decision Letter No. 9.A Year 2020 dated 28 January 2020 and No. 13.A Year 2020 dated 29 February 2020).

  - *Submission for objections (as per Article 25 (3) of the UU KUP) due have been extended for a maximum of 6 (six) months;*
  - *tax overpayment refunds (as per Art 11 (2) of UU KUP) will be extended for a maximum of 1 (one) month;*
  - *tax overpayment refunds (as per Art 17B (1) of UU KUP), objection submissions (as per Art 26 (1) of the UU KUP), requests for the deduction or write-off of administrative sanctions or incorrect tax assessment or audit results will be extended for a maximum of 6 (six) months.*

- **Grant of authority to the Minister of Finance to provide customs facilities such as exemption or ease on import tax.** In the interest of recovering and strengthening the national economy, amendments to the import goods exempted from import tax based on use, as well as import goods that may be exempted and given ease, in reference to Article 25 (1) of the Customs Law No. 17 of 2006 have been stipulated in the new MoF facility.

The abovementioned policies have been regulated through Government Regulation in lieu of the Law No. 1 of 2020 (***PERPPU No. 1 of 2020***). In this official regulation, the Ministry of Finance has ratified the reduction of Corporate Income Tax rate from 25% to 22% for the 2020 & 2021 Tax Period, and 20% from 2022 onwards; as such, a further reduction of 3% will be provided to listed companies with a minimum of 40% of their shares, thus allowing the said rates to become 19% for 2020 & 2021, and 17% from 2022 onwards. These incentives are aimed to enable businesses to remain stable in their business activities throughout the COVID-19 pandemic and allow opportunities of growth. Originally, this was discussed in the draft of Omnibus Law. With the current COVID-19 situation, corporate tax reduction has become more urgent and was therefore issued in PERPPU No. 1 of 2020.

At the moment, regulations are being drawn up for certain concerns that have arose from the newly ratified regulation. Some of which are concerned with the definition of foreign tax subjects who may withhold and report VAT, as well as the representatives appointed to perform such tax collections; concerns regarding foreign tax subjects with significant economic presence are also currently awaiting

comprehensive regulations; and regulations regarding sanctions to be imposed on non-compliance to the new regulations and policies have also been mentioned.

(UPDATE) On 16 May 2020, PERPPU No. 1 of 2020 has passed as law with Law No. 2 of 2020.

The Minister of Finance of the Republic of Indonesia has issued PMK-28 (MoF No. 28/PMK.03/2020) dated 6 April 2020, to regulate **Tax Facility Provisions on Goods and Services Needed in Handling the Coronavirus Disease (COVID-19) Pandemic**. These provisions involve benefits on VAT and Income Tax withholding under certain conditions.

- **VAT**
  - VAT incentives will be given to *certain parties* on imports or procurement of **Taxable Goods** and/or **Taxable Services** from outside the customs area in to the customs area, provided such goods and/or services are necessities in handling the COVID-19 pandemic, within the Tax Period of April 2020 up until September 2020.
  - The *certain parties* mentioned in point 1 include government agencies, both head offices or regional, that are appointed to handle the COVID-19 pandemic; hospitals designated to administer services for COVID-19 patients; or Government agencies or Hospitals appointed by the government to assist in tackling the COVID-19 pandemic.
  - The **Taxable Goods** deemed as necessities in tackling the COVID-19 pandemic include **medicines; vaccines; laboratory equipment; detection equipment; safety equipment; patient treatment equipment;** and/or **other support equipment** that are declared to be necessary in handling the COVID-19 outbreak.
  - The **Taxable Services** deemed necessary in handling the COVID-19 pandemic include **construction services; consultant, technical, and management services; rental services;** and/or **other support services** that are deemed necessary in handling the COVID-19 pandemic.
  - VAT **will not be collected** for the import of Taxable Goods for certain parties.
  - VAT will be **borne by the government** for the delivery of Taxable Goods and Taxable Services by Taxable Entrepreneurs to *certain parties* (including donations). To receive such facilities, Taxable Entrepreneurs are required to issue Tax Invoices and submit VAT realization reports on government-borne VAT, in accordance with the procedures stated in the regulation. Similarly, VAT will also be **borne by the government** in the use of Taxable Services from outside the customs area in the customs area by *certain parties,* for which Tax Collection slips, billing codes and VAT realization reports must also be recorded, in accordance with the regulation.
  - VAT **will not be imposed** on the import of Taxable Goods by *certain parties* that will be used in the exercise of Taxable Services from outside the customs area within the customs area, as long as the said parties have a Certificate of Taxable Service Usage from Outside the Customs Area in the Customs Area ("SKJLN") **before import.**
  - The realization reports must be submitted to the Tax Office in which the Taxable Entrepreneur is registered, by **July 20, 2020,** for the Tax Period of April to June 2020; and by **October 20, 2020,** for the Tax Period of July to September 2020

- **Exemption on Article 22 Income Tax on Imports and/or Article 22 Income Tax**
  - *Certain parties* that import and/or procure Taxable Goods, as well as *third parties* that sell necessities used in handling the COVID-19 pandemic, to *certain parties,* will be exempted from the imposition of Article 22 Income Tax on Imports and/or Article 22 Income Tax for the Tax Period of April 2020 to September 2020.
  - Article 22 Income Tax on Imports will be exempted by the Directorate of Customs and Excise **without a Certificate of Exemption** from **April 6 to September 30, 2020.**
  - Article 22 Income Tax exemptions will be given to *certain parties* that procure taxable goods, as well as *third parties* that sell goods to *certain parties* **through the issuance of a Certificate of Exemption from the date of its issuance until September 30, 2020.** In order to file for a Certificate of Exemption, for both *certain parties* and *third parties,* a

written request must be submitted to the Tax Office of registry in accordance with the sample provided in the regulation through the **Designated Channel.**
    - A response to the Request made will be given within **5 (five) working days** after the request is received. An approval or rejection letter will be delivered. In the case that a response is not received within the 5-day period, the request will be **considered to have been received** and the Tax Office will be required to issue a Certificate of Exemption **within 2 (two) working days**.
    - *Certain parties* and *third parties* that have **obtained Certificates of Exemption** from Article 22 Income Tax imposition will be required to submit Realization Reports on the exemptions to the Tax Office of registry, at the latest, by **July 20, 2020** for the Tax Period of April to June 2020; and by **October 20, 2020** for the Tax Period of July to September 2020.

- **Exemption on Article 21 and Article 23 Income Tax**
    - Domestic Individual Taxpayers who obtain rewards from *certain parties* on services provided in handling the COVID-19 pandemic, with the exception of income on services imposed with Article 4 (2) Income Tax, will be exempted from Article 21 Income Tax **without a Certificate of Exemption** for the Tax Period of April to September 2020.
    - Domestic Corporate Taxpayers/Permanent Establishments (PE) that obtain rewards from *certain parties* on services provided in handling the COVID-19 pandemic will be exempted from Article 23 Income Tax for the Tax Period of April to September 2020, **through the issuance of a Certificate of Exemption; valid from the date of its issuance until September 30, 2020**.
        - The domestic corporate taxpayer or PE will submit a written letter to its Tax Office of registry, in accordance with the format provided in the regulation.
        - The Tax Office will approve or reject the request **within 5 (five) working days.** Should such response not be delivered to the taxpayer within the said time period, it will be **considered to have been received** and the Tax Office will be required to issue a Certificate of Exemption **within 2 (two) working days.**
        - Domestic (Head) Corporate Taxpayers/PEs that have been exempted from Article 23 Income Tax must submit Realization Reports on Article 23 Income Tax withholding, in accordance with the regulation, to its Tax Office of registry **at the latest**, by **July 20, 2020** for the Tax Period of April to June 2020; and by **October 20, 2020** for the Tax Period of July to September 2020.

On **April 7, 2020**, Minister of Finance Regulation No. 29/PMK.03/2020 (PMK-29) was issued to regulate the **Implementation of Taxation Administrative Services in Conditions of Force Majeure due to the Coronavirus Disease (COVID-19) Pandemic**. This regulation is aimed at government administrative services, including taxation as stipulates in the General Taxation Provisions and Procedures; Income Tax; Value Added Tax; Sales Tax on Luxury Goods; Customs and Excise; and Land & Building Tax.

This new regulation stipulates the treatment of taxation in conditions of force majeure in a national scale, which was not previously discussed in existing regulations. These administrative services refer to activities performed for essential external services in the fulfillment of taxation obligations and duties. Thus, in the current situation in light of COVID-19, procedures and guidelines have been set to assure that its effects do not overly hinder the practice of proper taxation treatment in administrative services. These stipulations cover deadlines extensions; request procedures; determination of force majeure and extension periods by the Director General of Taxes (DGT); requirements taxpayers in such cases; etc.

In addition to PMK-28 and PMK-29, Minister of Finance Regulation No. 31/PMK.04/2020 was also issued on **April 15, 2020**. This regulation stipulates **Additional Incentives for Companies that Receive Bonded Zone Facilities and/or Ease on Imports for Export in Handling the Impacts of the Coronavirus Disease Pandemic**.

In the prevention of hampering economic growth, the regulation has been issued to anticipate the effects on the supply of goods in the country. In consideration of the possible supply deficiency Indonesia may face, additional facilities in ease of imports for export have been provided, along with customs and excise obligations. Particularly, ease of imports for export for Small and Medium Enterprises (SMEs), as well as exemption from VAT or Sales Tax on Luxury Goods withholding of goods and materials to be used for the purpose of exports and/or deliveries of SME products.

In line with this, taxation on Micro, Small and Medium Enterprises (UMKM) will be removed/nullified for a period of 6 months in order to ensure the continuity such businesses throughout and after the current state of force majeure caused by the COVID-19 pandemic. The UMKM sector serves a major role in the Indonesian economy, contributing 60% to its gross domestic product (GDP) and employment of up to 97%, while also constituting 99% of businesses in Indonesia. It has therefore been deemed for the country's best interest to enable and support such businesses to continue their activities.

On April 22, 2020, the Government announced the allotment of IDR 35T of tax incentives for 18 sectors, noting 7 additional sectors to the previously announced 11 sectors. The sectors concerned include:

1. Agriculture, forestry and fishery.
2. Mining and excavation
3. Processing industry
4. Electricity, gas, hot water steam, and cold air supply production
5. Water, waste water, waste recycling, and remediation activity management
6. Construction
7. Car and motorcycle wholesale, retail, repair and maintenance
8. Transport and warehousing
9. Accommodation, food and beverage supply
10. Information and communication
11. Finance and insurance activities
12. Real estate
13. Scientific and technical professional services
14. Rental activities, warehouse leasing, employment, travel agencies, including tours and other support businesses
15. Education
16. Human health and social activities
17. Tour, arts, entertainment, recreation industries
18. Other service activities, as well as companies in bonded zones

An update to the existing regulation (MoF Regulation No. 23 of 2020 "PMK-23/2020") is expected to be issued upon the finalization of this pronouncement.

The Director General of Taxes has maintained the Annual Tax Return filing deadlines for both individual and corporate taxpayers on April 30, 2020 and has reiterated the call to all taxpayers to meet the said deadlines as filings have dropped since the COVID-19 pandemic outbreak. However, for corporate taxpayers, an extension has been allowed for the submission of required documents up until June 30, 2020.

Minister of Finance Regulation No. 44 of 2020 (No. 44/PMK.03/2020) was issued on April 27, 2020 to address Tax Incentives to Taxpayers Affected by the Coronavirus Disease 2019 Pandemic. As the pandemic continues to pose as a national emergency that visibly challenges the economic stability and productivity of the country and its residents, tax incentives have been continuously updated as the situation progresses. Although tax incentives have already been previously rolled out, other sectors that have not yet been addressed in previous regulations have been added with regards to income tax as well as value added tax incentives. **As per PMK-23/PMK.03/2020, which was issued on March 13, 2020**, the tax facilities provided has been extended to an additional list of sectors to be covered. These sectors have been tabulated in this new regulation's attachments.

In the DGT SP-19 (Press Release No.19), DGT announces additional sectors in PMK-44 that were not previously stipulated. In summary the followings are the tax facilities for period April 2020 – September 2020:

- Article 21 Income Tax: For employees in companies involved in one of 1,062 industries that have been provided Ease on Imports for Exports (KITE). This is a significant increase from the initial 440 industries stipulated.
- Article 22 Income Tax on Import: Taxpayers who are involved in one of 431 industries provided KITE. An increase from the initial 102 industries stipulated.

- Article 25 Income Tax Installments: Taxpayers involved in 431 specific industries that have been given a reduction on Art 25 Income Tax Installments. Also increased from the initial 102 initial industries stipulated.
- VAT: Taxpayers involved in 431 specific industries, KITE companies, and companies in Bonded Zones, will be confirmed as low-risk Taxable Entrepreneurs; thus, receiving accelerated restitution facilities on excess payments at a maximum of IDR 5 billion, without conditions on conducting such activities such as export of taxable goods and services, or delivery of non-VATable goods. This facility has been expanded from the initial 102 industries stipulated.
- UMKM Tax Incentives: UMKM entrepreneurs will receive final income tax rate facilities of 0.5 percent (to be borne by the government). Therefore, UMKM entrepreneurs no longer need to make tax payments and tax collectors/withholders no longer need to collect such payments from the UMKM entrepreneurs. For this to happen, UMKM entrepreneurs need to first obtain PP-23 Certification and report its realization on Final Income Tax Borne by the Government (DTP) every tax period.

On April 23, 2020, the Indonesian government has issued a regulation regarding the **Requirements and Procedures in the Import and Delivery of Certain Transport Equipment and the Provision and Utilization of Tax Services in connection with Certain Transport Equipment that are not Imposed of Value Added Tax (MoF Regulation No. 41/PMK.03/2020)**.

- This regulation covers water transport, underwater transport, air transport, and railway transport equipment as well as its spare parts and transport safety equipment as well as passenger safety equipment, which have been imported by the ministry in charge of managing state security, the Indonesian National Military, and the National Police of the Republic of Indonesia. Aside from such state-governed bodies, the transport equipment included that are imported by other parties appointed by the said state-governed organizations will also be covered.
- Value Added Tax on the stipulated transport equipment that are delivered within the Customs Area will not be imposed if the services are received by National Commercial Shipping Companies, National Fishing Companies, National Seaport Service Providers, and National River, Lake and Crossing Transport Service Providers. Such services include ship lease services, port services, ship repair and maintenance services. Similarly, services that include airplane rental as well as repair and maintenance services for airplanes and trains are also covered by the same regulation if received by National Commercial Air Transport Enterprises and the Public Railway Facility Provider, respectively.
- A detailed tabulation of the equipment and stipulations on the corresponding equipment have been provided in the regulation's attachments.

(UPDATE) On April 30, 2020, the Ministry of Finance of the Republic of Indonesia issued No. PER-09/PJ/2020 regarding the Form, Contents and Guidelines in Filling Out Tax Payment Slips. This regulation clarifies the steps to follow in filling out Tax Payments Slips, with the sample forms attached. This also states when the forms are to be used and how such forms are to be filed and reported.

On May 5, 2020, the Minister of Finance issued PMK No. 48/PMK.03/2020, this regulation stipulates the Procedures in the Appointment of Collectors, Collections, Payments, as well as the Reporting of Value Added Taxes on the Utilization of Taxable Goods and/or Taxable Services from Outside the Customs Area within the Customs Area through Electronic Trading Systems. It details the procedures taken in the collections and payments of VAT for certain taxable goods and services, which are also provided in the regulation, that are provided electronically. This is in line with the increase of transactions made electronically during the current conditions. The applicable VAT will be at a rate of 10%.

17.2. Financial measures

- **National Economic Stimulus in the form of a Countercyclical Policy in response to the spread of COVID-19**
    - To encourage the optimization of intermediary functions of banks; manage the stability of financial systems; and to support economic development, **primarily in the Micro, Small and Medium Enterprise (UMKM) sector**. The OJK will apply the stimulus policy that consists of the assessment of credit/financing/other funding qualities.

- Refocusing of activities and reallocation of Ministry/Institute budgets; reallocation and refocusing of funding to the field of health and providing support funds for health operations; distribution and use of revenue sharing funds, general allocation Funds, and regional incentive funds for FY 2020 in the countermeasures and/or handling Coronavirus Disease 2019 (COVID-19)
- The government has rolled out the **National Economy Recovery Program** to maintain and strengthen economic capabilities for businesses in the real and financial sectors. As such, costs incurred in the enactment of the National Economy Recovery Program **will not be considered as state expenditure.**

- **The Indonesian Central Bank (Bank Indonesia or 'BI') will reportedly dominate ownership of pandemic bonds in hopes of maintaining the economy and ensuring safety from debt burdens amidst COVID-19.** This move is following BI's efforts in supporting the USD9.4 billion drop in the country's forex reserves as rupiah struggles in stability. PERPPU 1 of 2020, which was ratified on March 31, 2020, discusses several crisis protocols that have been activated in light of the recent developments in the COVID-19 ripple effect on the national economy. Such protocols allow BI to perform direct government bond purchases in the effort to revive state budget, of which the budget deficit has also been given an allowance greater that the previous limit of 3% through the same regulation.

The Indonesian Central Bank (BI) has injected IDR503.8T (USD32.7b) into the financial system in order to stabilize the rupiah as the COVID-19 pandemic crisis continues to pose greater threat to the national economy. To further the drive for better liquidity, the BI has revoked bank obligations to carry out Intermediary Macroprudential Ratio (IMR) duties, in conjunction with the IDR386T freed by the BI at the start of 2020 in response to Indonesia's crashing currency and in preparation for the ongoing pandemic's economic threat to the national economy.

The government has increased budget financing by 286%, to IDR 1 quadrillion in loans. 'Pandemic bonds' are expected to be issued along with further revisions to existing targets in response to increasing budget deficit.

17.3. Social measures

- Acceleration of social assistance for poverty-stricken communities (Keluarga Harapan) Program, Grocery Card (Kartu Sembako), Non-Cash Food Aid (Bantuan Pangan Non-Tunai), People's Business Credit (Kredit Usaha Rakyat), and in education (Kartu Indonesia Pintar);
- Housing interest subsidy for 40% of poverty-stricken communities;
- Schools and universities have been advised to implement online classes and home-study, while private companies have been encouraged to apply the work-from-home scheme since March 16, 2020.
- Starting from March 23, 2020 until April 5, 2020, public places (ie. malls, cinemas, etc.) have announced that they will have shorter operation time or even closed for the specified duration.
- Branches of the national government have been urged to identify planned projects that may be postponed, i.e. single year plans that may be amended as multi-year, and projects that may be extended.
- On April 7, 2020, the Ministry of Health has officially issued Large-scale Social Restrictions ("**Minister of Finance of the Republic of Indonesia Regulation No. 9 of 2020**"), to be implemented in Jakarta, the capital city and epicenter of the local COVID-19 outbreak in Indonesia. Regional governments have been provided guidelines in requesting for the implementation of the same restrictions in their respective areas, which can be expected in coming days. The restrictions include the implementation of temporary school and non-essential office closures; limitations to religious activities; restrictions on activities in public areas; limitations on social gatherings; and limit on modes of transport. The restrictions are not expected to heavily affect the necessary needs of the general public as industries categorized as "essential" will remain operational throughout the policy implementation. The local

administration of Jakarta will also provide aid for low-income families with the support of the central government. The Jakarta local government has shared the intent to strictly implement these restriction policies issued on April 8, 2020 by April 10, 2020, giving residents several days to prepare and adjust to the changes.

- Days ahead of the nearing Ramadan celebrations, the President of the Republic of Indonesia has declared a ban on the Idul Fitri exodus ("*mudik")* that is an annual mass movement of residents to their respective provinces or cities, in the observation of the Idul Fitri celebrations. The ban is directed as Greater Jakarta, and will be implemented starting from April 24, 2020. This is in hopes of curbing potential spread to lesser affected areas from red zones, which includes Greater Jakarta. Roads will not be completely blocked off, primarily for transport of essential workers and supplies, but travel in and out of the red zones particularly in Greater Jakarta, would be prohibited.
- The government has disbursed IDR 70b (USD 4.5M) in cash aid to poor families in villages and disadvantaged regions, which will reportedly assist up to 12.3 million families affected by the pandemic.
- Greater Jakarta is looking to increase restrictions as the current policies and procedures have showed little effect to the rise in COVID-19 cases, and the rising number of residents heading to their respective provinces despite the Idul Fitri exodus ("*mudik*") ban.
- ***(UPDATE)*** Jakarta has extended the PSBB (large-scale social restrictions) until June 4, 2020, this is in anticipation of a further slowdown of increase in infection cases since the start of the PSBB implementation in the capital. As the Idul Fitri holidays approach, the government continues to urge Jakarta residents to greatly avoid leaving their homes, despite the celebrations. It is expected that the coming two weeks will pose a significant mark in the next steps to be taken in the immediate future.

Useful links:

- Directorate General of Taxes, Republik of Indonesia : https://www.pajak.go.id
- Ministry of Finance, Republik of Indonesia : https://www.kemenkeu.go.id/covid19
- *https://www.pbtaxand.com/menu/page/tax_updates*
- *https://www.pbtaxand.com/menu/page/tax_insight*

For updated information please contact your Taxand team in Indonesia at https://www.pbtaxand.com

18. IRELAND *(UPDATED 21.05.20)*

18.1. Tax measures

The Irish tax administration (Irish Revenue) outlined some key advice and actions taken to assist SME businesses experiencing **cashflow and trading difficulties** arising from the impacts of the coronavirus[7] leading to the following measures for SME businesses:

- the application of **interest on late payments** is suspended for the (i) January/February 2020 and March/April 2020 VAT periods and (ii) February 2020, March 2020 and April 2020 PAYE (Employers) periods;
- businesses experiencing temporary cash flow difficulties should continue to file tax returns on time (even where payment is not immediately possible); and
- all Irish Revenue **debt enforcement activity** is suspended until further notice.

According to Irish Revenue an SME is a business with turnover of less than € 3 million who is not dealt with by either Irish Revenue's Large Cases Division or Medium Enterprises Division.

Irish Revenue's advice for businesses, other than SMEs, who are experiencing temporary cash flow or trading difficulties is that they contact the Collector-General's office or engage directly with their branch contacts in Large Corporates Division or Medium Enterprises Division.

Additional Supports

On 2 May 2020 the Government announced a suite of measures to further support small, medium and larger businesses that are negatively impacted by COVID-19. These measures include:

- €10,000 "restart grant" for micro and small businesses based on a rates waiver/rebate from 2019 (estimated that this will cost €250m in total);
- €2bn Pandemic Stabilisation and Recovery Fund established, within the Ireland Strategic Investment Fund (ISIF), which will make capital available to medium and large enterprises;
- €2bn COVID-19 Credit Guarantee Scheme to support lending to SMEs for terms ranging from 3 months to 6 years, which will be below market interest rates;
- "warehousing" of tax liabilities for a period of twelve months after recommencement of trading during which time there will be no debt enforcement action taken by Revenue (this measure will require new legislation to be introduced before it can take effect);
- a commitment to local authorities to make up the rates shortfall, so that local authorities can continue to provide full services to the public;
- the waiving of commercial rates for a three-month period beginning on 27 March 2020 for businesses that have been forced to close due to public health requirements, and
- Government also welcomed the Banking and Payments Federation of Ireland announcement of an extension of payment breaks for businesses and households to 6 months for those requiring assistance which is being provided to bank and non-bank customers impacted by COVID-19.

Tax Repayments/Refunds

Irish Revenue has indicated that it will continue to prioritise the approval and processing of tax repayments and refunds (**primarily VAT repayments and PSWT refunds**) to taxpayers. Where

[7] *Press releases by the Irish Tax administration on March 13th,2020 "Revenue announce measures to assist SMEs experiencing cashflow difficulties arising from COVID-19".*

verification checks are necessary, Irish Revenue will conduct these through their MyEnquiries service or by telephone.

Where any instalments of excess R&D tax credits are due to be paid in 2020, a request can be made to bring forward the payment date. The company's corporation tax return for the accounting period ending in 2019 must be submitted at the time of the request.

Revenue Interventions

Irish Revenue has **suspended** tax audit and other compliance intervention activity on taxpayers' premises until further notice. Where possible, Irish Revenue will engage with businesses to finalise open interventions through MyEnquiries or by telephone.

RCT Rates and Tax Clearance Status

The RCT rate review which was scheduled to take place in March 2020 was suspended as the process may have resulted in a subcontractor's RCT rate increasing due to changes in their tax compliance position.

Current tax clearance status will remain in place for all businesses over the coming months.

Filing Tax Returns

Irish Revenue have reiterated that taxpayers (individuals and businesses) should **continue to file** their tax returns even if payment of the resulting liabilities, in whole or in part, is not possible. Where, due to Covid-19, key personnel that compute tax returns are unavailable, Irish Revenue advise that the relevant return is submitted on a "best estimate" basis. They have also indicated that the application of the corporation tax surcharge (for late filing of corporation tax returns) for accounting periods ending June 2019 onwards (i.e. due by 23 March 2020 onwards) is suspended until further notice and there will be no restriction of reliefs (such as loss relief and group relief) due to the late filing.

Close Company Surcharge

Legislation provides for an additional corporation tax charge of 15% or 20% on certain undistributed income of close companies. This surcharge does not apply if such income is distributed within 18 months of the end of the accounting period in which it arose.

Recognising that the COVID-19 crisis may require many companies to retain cash to support their business, and that such companies may decide not to make distributions at this time, on 13 May 2020 Revenue announced that if a distribution is not made within the 18 month period "in response to COVID-19 circumstances affecting the company" Revenue will, on application, extend the 18 month period for distributions by a further 9 months. Revenue hopes that this additional time will enable the company to be better informed about the impact of the current circumstances before making a distribution.

This measure will apply for accounting periods ending from 30 September 2018 onwards for which distributions to avoid the surcharge would be due by 31 March 2020 onwards. Revenue recommends that companies keep a contemporaneous record of the circumstances in which the application to delay making a distribution was made.

Deferral of Stamp Duty on Credit Cards

The Minister for Finance announced on 18 March 2020 that he was deferring the annual collection of stamp duty on credit cards (i.e. EUR30 per credit card account) from 1 April 2020 to 1 July 2020. The collection date will be changed automatically by financial institutions.

Deferral of Payment of LPT

For property owners who opted to pay their LPT for 2020 by annual debit instruction or single debit authority payment, the payment date will automatically change from 21 March 2020 to 21 July 2020.

Real Time Foreign Tax Credit for Restricted Stock Unit Cases

The 31 March 2020 filing deadline has been suspended for cases where real time foreign tax credits were provided through the payroll. The 2019 income tax return for affected employees will revert to the standard income tax filing deadline (i.e. 31 October 2020 or 12 November 2020 for ROS filings, as

appropriate) for that return. Irish Revenue advised that the employer notification to Irish Revenue in relation to such cases should be made as soon as possible, but no later than the applicable extended income tax filing date.

Share Schemes Filing Obligations

The filing deadline for all 2019 share scheme returns is **extended** from 31 March 2020 to 30 June 2020.

Special Assignee Relief Program (SARP)

The 90-day employer filing obligation is **extended** for a further 60 days. Irish Revenue believes that this extension should provide sufficient time for employers to file the required return.

Trans-Border Worker Relief

If employees are required to work from home in Ireland, due to Covid-19, such days spent working at home in Ireland will not preclude an individual from being entitled to claim this relief, provided all other conditions of the relief are met.

PAYE Dispensation Applications

Due to the current restrictions on travel, Irish Revenue will not "strictly" enforce the 30-day notification requirement for PAYE dispensations applicable to short term business travellers from countries with which Ireland has a double taxation treaty who are going to spend in excess of 60 work days in Ireland in a tax year.

Foreign Employment - Operation of PAYE

Irish Revenue will not seek to enforce Irish payroll obligations for foreign employers in "genuine" cases where an employee was working abroad for a foreign entity prior to Covid-19 but relocates temporarily to Ireland during the Covid-19 period and performs duties for his or her foreign employer while in Ireland.

PAYE Exclusion Order – Irish Contract of Employment

The tax position of employees working abroad for a foreign employer under an Irish contract of employment, where a PAYE exclusion order is in place, will not be adversely impacted if the employee works for more than 30 days in Ireland due to Covid-19.

Residence Rules – Force Majeure Circumstances

Whether an individual is considered tax resident in Ireland in a particular tax year depends on the number of days (or part of a day) spent in Ireland in that tax year (or preceding tax year).

Irish Revenue's existing position is that in circumstances where an individual is prevented from leaving Ireland on their intended day of departure due to "extraordinary natural occurrences" or an exceptional third party failure or action, none of which could reasonably have been foreseen and avoided, the individual will not be regarded as being present in Ireland for tax residence purposes for the day after the intended day of departure, provided the individual is unavoidably present in Ireland on that day due only to force majeure circumstances.

Irish Revenue has clarified that where a departure from Ireland is prevented due to Covid-19, Irish Revenue will consider this force majeure for the purposes of establishing an individual's tax residence position.

E-Working and Tax

Irish Revenue has updated its "e-Working and Tax" manual. Details can be accessed at E-Working and Tax

Corporation Tax and Presence in Ireland or Outside Ireland Resulting from Covid Related Travel Restrictions

Where an individual is present in Ireland (or in another jurisdiction and would otherwise have been present in Ireland) and that presence is shown to result from travel restrictions related to Covid-19, Irish Revenue will be prepared to disregard such presence in Ireland, for corporation tax purposes, for the company where the individual is an employee, director, service provider or agent. Irish Revenue stresses that the individual and the company should maintain a record of the facts and circumstances of

the "bona fide" relevant presence in Ireland, or outside Ireland, for production to Irish Revenue if evidence of such presence is requested.

Pharmaceutical Products, Medical and Personal Protection Equipment

As a temporary concession, Revenue will allow the application of the zero rate of VAT to the supply to the Health Service Executive, hospitals and other health care settings of personal protection and specified medical equipment for use in the treatment of patients with Covid-19.

Goods imported from outside the EU which are used to combat the effects of Covid 19 will be relieved from customs duty and import VAT from 30 January 2020 to 31 July 2020.

Critical pharmaceutical products and medicines will be given a Customs "green routing" to facilitate uninterrupted importation and supply.

Relief from Excise Duty for the Manufacture of Hand Sanitiser Products

Alcohol products tax will not apply to alcohol used in the production of a range of medicinal and other products such as hand santisers.

Deferral of stamp duty on credit cards

The Minister for Finance announced on March 18th, 2020 that he was deferring the annual collection of stamp duty on credit cards (ie € 30 per credit card account) from April 1st 2020 to July 2020 1st. The collection date will be changed automatically by financial institutions.

Deferral of payment of Local Property Tax

Irish Revenue announced on March 16th, 2020 that for property owners who opted to pay their LPT for 2020 by annual debit instruction or single debit authority payment the payment date will automatically change from March 21st, 2020 to May 21st, 2020.

18.2. Social measures

COVID 19 Temporary Wage Subsidy Scheme

The Irish government announced new measures on 24 March 2020 and 15 April 2020 to provide financial support to Irish workers affected by the COVID-19 crisis. The scheme applies to all employers from all sectors (other than the public service and non-commercial semi-state sector) whose business activities are being adversely impacted by the COVID-19 pandemic. In addition, employers must retain their employees on the payroll and must be able to demonstrate a minimum of a 25% decline in expected turnover / customer orders for quarter 2, 2020 (when compared with prior comparable periods) and be unable to pay normal wages and normal outgoings fully. Application for the scheme is based on self-assessment principles and a qualifying employer must declare that it is significantly negatively impacted by the COVID-19 crisis. Employers should retain their evidence/basis for entering the wage subsidy scheme as verification checks may be carried out by Revenue in the future. Revenue has indicated in published guidelines that an employer that has been hit by a significant decline in business but has strong cash reserves, that are not required to fund debt, will still qualify for the wage subsidy scheme but the government would expect the employer to continue to pay a "significant proportion" of the employees' wages.

The scheme enables employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer and will run for 12 weeks from 26 March 2020. As at 15 April 2020 over 43,000 employers are registered for the scheme and over 26,000 of these have already received a refund. According to Revenue, over 600,000 employees are in receipt of payments under the scheme.

To address certain "anomalies" in the scheme as introduced, the Minister of Finance announced on 15 April 2020 further changes to the scheme which will apply to those earning less than €500 per week (approx. €31,000 per annum) as well as those earning in excess of €586 per week (€38,000 per annum).

See details below. These changes will mean that from 4 May 2020, more employees will receive a subsidy of €350 per week, and those with previous net pay below €412 per week will receive a greater level of subsidy.

Some key features of the scheme include:

- it applies to employees who were on the employer's payroll as at 29 February 2020 and for whom a payroll submission has already been made to Revenue in the period from 1 February 2020 to 15 March 2020;
- on 24 April 2020 Revenue announced that certain employers who had not fulfilled their PAYE reporting obligations for February 2020 by 15 March 2020 will be allowed to access the scheme provided (i) the employees were included on the employer's payroll on 29 February 2020, (ii) the February 2020 payroll submission was submitted to Revenue before 1 April 2020, and (iii) payroll submissions for all previous months were submitted to Revenue before 15 March 2020;
- subsidy payments up to the relevant thresholds will be refunded by the Irish government to employers via the payroll process;
- employers will be refunded up to a maximum of €410 per week for each qualifying employee (for employees earning less than or equal to €586 per week net) via the payroll process;
- employers will be refunded up to a maximum of €350 per week for each qualifying employee (for employees earning over €586 per week net and less than or equal to €960 per week net) via the payroll process;
- in April 2020, the scheme will move to a subsidy payment based on 70% of the weekly average take home pay for each employee up to a maximum of €410;
- income tax and USC will not be applied to the subsidy payment through the payroll;
- employee PRSI will not apply to the subsidy or any top up payment by the employer;
- employers PRSI will not apply to the subsidy and employers PRSI will be reduced from 10.5% to 0.5% on any top-up payment, and
- from 26 March 2020, employers or their tax agents can apply to operate the scheme via Revenue's Online Service (**ROS**). Further details of the scheme can be found on https://revenue.ie/en/corporate/communications/covid19/temporary-covid-19-wage-subsidy-scheme.aspx

From 4 May 2020, the scheme moved into the "Operational Phase" with the following enhanced features:

- **for employees with net pay less than €586 per week** (€38,000 p.a.) with previous average net pay:
  - (i) **up to €412 per week** (equivalent to almost €24,400 p.a.), the subsidy will be increased from 70% to 85% of their previous net weekly pay, and
  - (ii) **between €412 and €500 per week** (equivalent to €24,400 p.a. to €31,000 p.a.), the subsidy will be up to €350 per week*
- where an employer wishes to pay a greater level of top-up – above the outstanding 15% of previous pay - (for employees with net pay less than €412 per week) in order to bring the employee's pay to €350 per week, then tapering would not be applied to the subsidy*
- **for employees with previous net pay in excess of €586 per week** (equivalent to €38,000 p.a.), a tiered approach will apply, but the maximum subsidy payable remains €350 per week.

The tiered approach takes into account both the amount paid by the employer and the level of reduction in pay borne by that employee to ensure that no employee would be better off under the scheme*

- **the scheme is now available** to support employees where the average net pre-COVID 19 salary **was greater than €76,000 p.a.** and their gross post-COVID-19 salary has fallen below €76,000. The tiered arrangement applicable to gross incomes in excess of €38,000 p.a. will apply in such circumstances*

these measures were announced by the Minister on 15 April 2020 and apply for payroll with a pay date on or after 4 May 2020 and received by Revenue on or after that date (i.e. no back-dating of increased subsidy will apply)

18.3. Financial measures

- ***€ 200 million SBCI COVID-19 Working Capital Scheme***
- The Strategic Banking Corporation of Ireland (SBCI) is working with the Department of Business, Enterprise and Innovation and Department of Agriculture, Food and the Marine to bring this scheme to market as soon as possible.
- Maximum loan size will be € 1.5 million (first € 500,000 unsecured) and the maximum interest rate will be 4%.

  Loans will be for periods up to 3 years in duration.
- ***€ 200 million Package for Enterprise Supports including a Rescue and Restructuring Scheme***

  The scheme will be open for viable but vulnerable firms that need to restructure or transform their businesses.

  Details of these supports are being finalized.
- ***Microentreprises COVID-19 loans***

  Microenterprises can access Covid-19 loans of up to € 50,000 from MicroFinance Ireland.

  Loans are available at an interest rate of between 6.8% and 7.8%.

Useful links:

- Irish Government's website: click here.
- Irish tax and customs' website: click here.
- Irish Department of Business, Enterprise and Innovation's website: click here.
- For details of the temporary wage subsidy please see Section 28 of the Emergency Measures in the Public Interest (Covid-19) Act 2020: click here https://data.oireachtas.ie/ie/oireachtas/act/2020/2/eng/enacted/a0220.pdf

For updated information please contact your Taxand team in Ireland at www.williamfry.com

19. ISRAEL *(UPDATED 07.05.20)*

19.1. Tax measures

Extension of Tax Deadlines

On 27 March 2020, the Government of the State of Israel promulgated Emergency Regulations that extend certain deadlines with respect to various tax procedures. Pursuant to the Emergency Regulations if the deadline of any of the procedures enumerated in the Emergency Regulations falls on any day from 22 March 2020 through 31 July 2020, such deadline will be extended by 70 days. The followings are the most significant deadlines that have been extended.

- ***Income Tax Deadlines***

  The deadline for issuing an assessment to a taxpayer, the deadline for filing an administrative appeal with respect to an assessment, the deadline for issuing a decision in an administrative appeal and the deadline for reviewing and reopening a tax assessment of a closed tax year, were all extended by the Emergency Regulations.

  The Emergency Regulations also extended certain deadlines relating to decisions and pre-rulings to be issued by the Israel Tax Authority, including: The deadline for issuing a decision in an application filed of the taxpayer to approve in advance that a transaction is in arm's length with respect to Israeli transfer pricing rules, the deadline for issuing a pre-ruling confirming that a merger is tax-free, the deadline for an assessing officer to notify parties to a merger that the merger did not meet the conditions for tax-free treatment and the deadline for approving that an employee equity compensation plan qualifies to certain preferential tax treatment.

- ***Real Property Tax Deadlines***

  Most significant deadlines that relate to real property tax assessment have been extended, including all deadlines for issuing a tax assessment, deadline for reopening a tax assessment, deadlines for filing an administrative appeal or court appeal and the deadline for issuing a decision in an administrative appeal.

  In addition, several reporting periods have been extended, such as the deadline for reporting an exempt sale of an option to purchase real property and the deadline for reporting a transaction that is contingent on a future increase in building rights. The deadlines for applying for a reduction in real property capital gains tax and for deciding on such application have also been extended.

- ***Indirect Taxes Deadlines***

  The deadlines for issuing a VAT assessment, for filing an administrative appeal with respect to VAT assessment and for issuing a decision in a VAT administrative appeal have been extended. The deadline for reopening a VAT assessment of a closed tax year has also been extended.

  The deadlines for a deficiency claim or an overcharge suit, with respect to custom duties, purchase tax and excise tax, have been extended. Several other deadlines have been extended with respect to these taxes, including the deadline for issuing a purchase tax for local production assessment.

In addition, the Minister of Justice declared a state of emergency in the Israeli judicial system, which, unless extended again, will apply until 10 May 2020. As a result, judicial deliberation in certain matters, including tax appeals, have been postponed. All court filing deadlines with respect to tax proceedings, including the deadlines to file a court appeal, have been similarly postponed if the deadline is within the period of the state of emergency.

Relieves Extended by the Israel Tax Authority

Additional measures have been taken by the Israel Tax Authority in order to assist taxpayers at these trying times. These measures include among others:

- **Deduction of VAT inputs**: Taxpayers have been allowed to deduct VAT inputs based on electronic copies of original invoices until 31 May 2020;
- **Tax refunds**: The approval of income tax and VAT refunds to businesses and individuals in the total sum of approximately one billion ILS has been sped up;
- **Extension of VAT reporting deadline**: The VAT reporting deadlines have been extended from 15 March 2020 and 15 April 2020 to 26 March 2020 and 27 April 2020, respectively;

- **Employees fringe benefits taxation**: If an employee received a company car but was put on unpaid leave, the employer shall withhold tax on fringe benefits to the employee only on the respective portion of the month in which the employee used the company car (calculated based on the day the car was returned to the employer, not as of the start of the unpaid leave period).
- **Withholding certificates**: Tax withholding certificates that expired on or until 31 March 2020 have been automatically extended until 30 April 2020.

Discount in Local Property Tax

On April 24 2020, the Israeli Government approved new regulations pursuant to which local property taxes payable by certain business owners will be reduced by 25% for the tax year 2020. Each local authority is allowed to determine whether to reduce all local property taxes by 25% for the tax year, or exempt the business owners from paying local property taxes in the months March through May.

19.2. Social measures

Children, Elderly and Disabled Grants

The Government of the State of Israel announced that it intends to pay to each household a sum of ILS 500 per each child under the age of 18, up to ILS 2,000 per household. In addition, elderlies and disabled individuals will also be entitled to a grant of ILS 500. The relevant legislation approving such grants has not passed yet.

Unemployment Benefits

An employee that was put on unpaid leave will be entitled to unemployment benefits as of the beginning of the unpaid leave period, as oppose to the regular rule under which unemployment benefits are only paid out after the elapse of a 30-day period from the beginning of the unpaid leave period.

Adjustment Grants

Individuals who are over 67 years old and were fired or put on unpaid leave for at least 30 days during the months March through May are eligible to receive an "adjustment grant" for each of these months in which they were not employed. The grant amount is calculated based on the recipient's pension income during this time, and it is capped at ILS 10,000 for the entire period (up to ILS 2,000 adjustment grant for the month of March, and up to ILS 4,000 adjustment grant for each April and May).

19.3. Financial measures

Cash Grant to Small Business Sole Proprietors

On 2 April 2020, the Knesset, the Israeli parliament, approved a grant program for sole proprietors whose annual income does not exceed a maximum prescribed threshold and that have also suffered a decline in business revenues during the months of March and April in 2020. Certain other conditions apply as well. The grant amount is capped at ILS 10,500.

Cash Grant to Incorporated Small Businesses and Eligible Nonprofits

The Israeli Government approved a grant program for the participation in the fixed costs of small business, including certain eligible nonprofits, that suffered a significant reduction in revenues in March and April of 2020. The grant amount is capped at ILS 400,000 and depends on the level of reduction in business activity of the recipient.

Government Guaranteed Loans

The Israeli Government has established a fund designated to guarantee up to 85% of loan amount offered by financial institutions to businesses that suffer cash flow difficulties as a result of the Coronavirus crisis.

With respect to small and medium businesses, the terms of the loan will be as follows: (a) term: 5 years, with up to 12 months of grace on payment of loan principal, (b) loan amount: up to 16% of turnover, but no more than ILS 20 million, (c) interest and fees: the State of Israel covers interest payments for the first year of the loan, after which the interest rate will be prime + 1.5%; there are no additional fees, (d) loan security deposit: no greater than 5% of loan amount. Small and medium businesses are generally defined for these purposes as businesses (including nonprofits) with a turnover of less than ILS 400 million in the previous year that did not receive a large business loan

With respect to large businesses, the terms of the loan will be as follows: (a) term: 5 years, with up to 12 months of grace on payment of loan principal, (b) loan amount: up to 8% of turnover (or the higher of 8% of turnover or 8% of expenses for hi-tech companies), but no more than ILS 100 million, (c) interest and fees: the State of Israel covers interest payments for the first year of the loan, after which the interest rate will be prime + 1.5%; there are no additional fees, (d) loan security deposit: no greater than 5% of loan amount. Large businesses are generally defined for these purposes as businesses (including nonprofits) that (1) had a turnover of over ILS 200 million in the previous year, (2) employ at least 100 employees, (3) 50% of its productive assets or IP are registered in Israel, and (4) did not receive a small or medium business loan.

"Return to Work" Grant

On April 27, 2020 the Israeli Government and the Association of Fashion and Commerce Chains have reportedly reached an agreement for the allocation of additional ILS 6 billion for payment of grants to large retail chains that will reinstate employees who were fired or put on unpaid leave during the Coronavirus crisis. The details of the grant program have not been formally published yet and the Government is required to obtain the approval of the Israeli parliament, the Knesset, for additional increase in budgetary measures in order to begin this grant program.

For updated information please contact your Taxand team in Israel at https://www.hfn.co.il/

20. ITALY *(UPDATED 30.04.20)*

The Decree of Minister of Economy and Finance dated February 24th enacted first measures that only apply to affected territories on the date it was published.

Subsequently the following four Law-Decrees introduced measures aimed to deal with the ongoing emergency:

- Law-Decree n° 9/2020;
- Law-Decree n° 11/2020;
- Law-Decree n°18/2020, so-called *"Decreto Cura Italia"*[8];
- Law-Decree n° 23/2020, so-called *"Decreto Liquidità"*.

20.1. Tax measures

- **suspension of the payment terms** regarding withholding taxes on income from employed work or similar, social security and welfare contributions as well as mandatory insurance premiums and VAT as follows:
  - until April 30th, 2020 (VAT only March 2020) with reference to the sectors most concerned[9], without limitation of turnover;
  - between March 8th and March 31st, 2020 for taxpayers whose turnover in 2019 didn't exceed € 2 million;
  - for the months April and May 2020 for non-commercial entities, taxpayers which turnover decreases, to the extend required by law, in March and April 2020 compared to the same months of the previous fiscal year and taxpayers which started their business after March 31st, 2020.

  The suspended payments must be made, depending on the case, in a single settlement within May / June 2020 or by monthly instalments of up to 5 starting from May / June 2020. It is not possible to ask for refund of what has already been paid.

- for economic operators to whom no specific suspension applies, the **deadline for payments due to public administrations**, including those relating to social security and welfare contributions as well as mandatory insurance premiums, **is extended from March 16th, 2020 to March 20th, 2020**; the law decree n° 23/2020 provides that the mentioned payments are considered timely if made within April 16th, 2020;
- suspension, with some exceptions, of the tax obligations which expire between March 8th, 2020 and May 31st, 2020; the suspended tax obligations must be fulfilled by June 30th, 2020;
- introduction of a specific provision for the computation of tax payments on account with the so-called "forecast method"; this provision shall apply only with reference to tax payments on account regarding personal income tax, corporate income tax and regional tax on productive activities due for the tax period following the on in progress as at December 31st, 2019;
- **suspension** until May 31st, 2020 of the **deadlines** for clearance, control, verification, recovery and litigation activities by the tax administration;
- shops and boutiques (cadastral category C/1) benefit from a **tax credit equal to 60%** of the rent paid for the month of March 2020; the activities listed in Annexes 1 and 2 of the Presidential Decree dated March 11th, 2020 are excluded;

[8] *Converted into Law n° 27/2020.*
[9] *These include sectors such as tourist hotels, passenger transport, catering, bars, culture, sport, education, amusement parks, events, games rooms and sports betting centers.*

- introduction of a **tax credit to the extent of 50%** for workplace and working tools sanitation costs up to a **maximum amount of € 20,000**; following to the extension by Law-Decree n° 23/2020 also costs of purchasing personal protective equipment, as well as purchasing and installing safety devices to protect workers from accidental exposure to biological agents or to ensure interpersonal safety distance are eligible; the costs must be born within December 31st, 2020;
- **suspension**, in the period between February 23th, 2020 and December 31st, 2020, of the **timing requirements** related to the so-called *"main house benefit"* (*"beneficio prima casa"*);
- amendment of the **tax credit for advertising investments**;
- companies which transfer for consideration, by December 31st, 2020, receivables, both commercial and financial, due from defaulting debtors, may **convert into a tax credit the deferred tax assets ("DTA")** relating both to tax losses not yet used at the date of the transfer and to the surplus of Allowance for Corporate Equity ("ACE") not yet deducted. The amount of DTAs that can be converted into tax credits is equal to 20% of the face value of the transferred receivables.
- introduction of **tax incentives for cash and in-kind donations,** aimed at dealing with the epidemiological emergency, made in 2020;
- introduction of a provision which aims to neutralize the tax effects regarding the transfer free of charge of specific medicinal products for so-called *"compassionate use"* (deduction of the input Vat / deduction of the costs incurred and non-taxation of the normal value of the medicinal products transferred for income tax purposes);
- **facilitation** for self-employed and smaller subjects with revenues or compensation not exceeding € 400,000;
- the **changes to the tax calendar** introduced by Decree-Law n° 124 were brought forward to January 1st, 2020 instead of January 1st, 2021;
- the deadline for providing the Italian tax authorities with the **form** for each employee indicating remuneration and withholding tax (*certificazione unica*) is extended until **April 30th, 2020**;
- the deadline for third parties (*e.g.* banks, insurance companies, social security institutions and universities) to provide the Italian tax authorities with the data to be included in taxpayers' pre-filled tax returns is extended until **March 31st, 2020**;
- pre-filled tax returns:
  - will be made available to taxpayers on the website of the Italian tax administration on **May 5th, 2020**;
  - must be filed with the Italian tax authorities before **September 30th, 2020**.
- **hearings regarding tax proceedings** pending from March 9th to May 11th are postponed at a date later than May 11th, 2020;
- deadlines to complete any steps concerning pending tax proceedings **are suspended until May 11th, 2020**;
- moratorium on the due dates for payments to the collection agencies **until June 30th, 2020**.

20.2. Social measures

- The **redundancy fund** is extended, by way of derogation, to the entire national territory, to all employees in all sectors of production;

  Employers, including companies with less than 5 employees, who suspend or reduce their activity because of the epidemiological emergency, may use the redundancy fund by derogation to the new cause "COVID-19" for a maximum period of 9 weeks;

- the number of days of **paid monthly leave** covered by the notional contribution for healthcare workers is increased by 12 additional days, useable in the months of March and April 2020;
- **prohibition of dismissals** for the next two months and suspension of pending procedures;
- **extension workers' allowance**;
- **extension of technical unemployment** to all workers;
- introduction of specific measures regarding **parental leave** and of an **"abstention right"** for some categories of working parents;
- **bonus baby sitting** up to a maximum amount of € 600;
- creation of a **€ 600 allowance** for the month of March 2020 for self-employed workers and creation of a **€ 100 premium** for workers earning less than € 40,000 per year, based on March 2020 worked days at the ordinary place of work;
- equalization of quarantine to illness;
- introduction of specific measures regarding **health and safety at workplace**.

20.3. Financial measures

- **moratorium** on home loans to cover liquidity needs;
- **moratorium** on lending to micro, small and medium-sized enterprises (covering mortgages, leasing, credit facilities and short-term loans) **until September 30th, 2020**;
- strengthening of the **central guarantee fund** for small and medium-sized enterprises, including the renegotiation of existing loans **until December 17th, 2020**;
- strengthening of the **Confidi**[10] for micro-enterprises, through simplification measures;
- introduction of a **counter-guarantee** mechanism for banks, by *Cassa Depositi e Prestiti* (Italian public body), making it possible to extend credit also to medium and large enterprises affected by the crisis;
- state guarantees regarding loans granted both to large enterprises (guarantees given by SACE S.p.A.) and small / medium-sized enterprises (guarantees given by the central guarantee fund or, in specific cases, by SACE S.p.A.); up to € 25,000 guarantee that corresponds to 100% of the loan and no valuation of the rating requested;
- specific financial support for exports and internationalization (e.g. with regard to development of e-commerce, temporary export manager etc.).

20.4. Other measures

- call ordinary shareholders' meeting within a longer period (180 days) and electronic or correspondence voting;
- in specific cases possible **application of the going concern** also in situations in which it will be usually not allowed;
- **disapplication of the provisions regarding the subordinate reimbursement of loans**[11] granted, between April 9th, 2020 and December 31st, 2020, by the shareholders or by those who exercise the direction and coordination activity or are subjected to the same;

[10] *Confidi, which means "consorzio di garanzia collettiva dei fidi", is an Italian consortium that provides guarantees to facilitate companies' access to short-, medium- and long-term financing for economic and productive activities.*

[11] Please refer to Articles 2467 and 2497-*quinquies* of the Italian Civil Code.

- temporary disapplication of the provisions regarding the reduction of the share capital due to losses exceeding 1/3[12] or the dissolution of the company due to reduction or loss of the share capital[13];
- **extension of the application of "Golden Powers"** to all sectors deemed of strategic importance by the European regulation on the screening of foreign direct investments and, on a temporary basis, also to investments made by subjects belonging to the European Union or acquisitions of holdings exceeding 10% by non-European Union entities (however in this case a threshold of one million euro is foreseen); with regard to financial transparency requirements integration of the **disclosure obligations** for significant holdings;
- temporary interventions regarding the **bankruptcy law,** which aim to foster the survival of enterprises in difficulties due to the epidemiological emergency in progress.

Useful links:

- Italian Ministry of Economy and Finance's website : **click here**.

For updated information please contact your Taxand team in Italy at http://www.led-taxand.it/

[12] Please refer to Articles 2446, second and third paragraphs, 2447, 2482-*bis*, fourth, fifth and sixth paragraphs, and 2482-*ter* of the Italian Civil Code.

[13] Please refer to Articles 2484, first paragraph, n. 4), and 2545-*duodecies* of the Italian Civil Code.

21. LUXEMBOURG *(UPDATED 20.05.20)*

21.1. Tax measures

The Luxembourg tax authorities have announced the 17 March 2020 a series of measures intended to guarantee the continuity of the Luxembourg economy:

- Luxembourg individual and corporate taxpayers who have business income, income from agriculture and forestry or income from independent professional services may request:
  - **a cancellation of the quarterly advances of (corporate) income tax and municipal business tax in relation to the 1st and 2nd quarters of 2020**. However, it is not possible to cancel the net wealth tax advances. The form to be used for the request is available here.
  - **an extension of 4 months of the deadline for the payment of (corporate) income tax, municipal business tax and net wealth tax**. This extension is only possible for taxes with a due date as from **1 March 2020**, meaning that an extension is not possible if the due date was 29 February 2020 or earlier. The form to be used for the request is available here.

  It is important to note that even though the request for cancellation and/or extension has to be (briefly) justified, the cancellation/extension will be accepted automatically by the Luxembourg tax authorities, which means that the tax authorities will not assess how significant the liquidity issues of the taxpayer are.

  As a last measure, the **deadline for filing the tax returns** has been extended to **30 June 2020**. This applies to both individual and corporate taxpayers.

- On 7 May 2020, Luxembourg Parliament passed a law addressing the extension of deadlines in fiscal, financial and budgetary matters in the context of the state of COVID-19 crisis. According to this law:
  - The deadline for filing the 2019 income tax, corporate income tax and municipal business tax returns is extended to **30 June 2020** (§167 (3) AO).
  - The deadline for opting for the individual taxation (as the collective taxation applies by default to partners and married couples) or for amending or cancelling the choice originally made is extended to **30 June 2020**. In respect of the 2019 tax year, the deadline until which a beneficial owner can opt for a 20% final withholding tax is extended from 31 March 2020 to **30 June 2020**. According to Article 6bis, n°2, 2nd indent of the amended law of 23 December 2005 introducing a final withholding tax on savings income (so-called RELIBI Law), beneficial owners of interest on savings income paid by certain paying agents established outside Luxembourg, can opt for a final withholding tax of 20% instead of being taxed on an assessment base.
  - The 3-month deadline applicable to "*réclamations*" (§ 228 AO) is **suspended from 18 March 2020 until 30 June 2020**.
  - The 3-month deadline applicable to "*recours hiérarchiques formels*" (§ 237 AO) is also **suspended from 18 March 2020 until 30 June 2020**.
  - Statutes of limitation ("*délais de prescription*") ending on or before 31 December 2020 (i.e. ending during 2020) will be **extended to 31 December 2021**. This will apply to any type of statute of limitation and will apply for all taxes payable to the Treasury as well as for all tax receivables, the collection of which is entrusted to the *Administration des Contributions Directes.*
- The 2015 Mutual Agreement to the double tax treaty between Luxembourg and Belgium provides that a treaty employee is generally taxed in the state of employment provided that this employee does not work more than 24 days in the state of residence or a third country.

  Further to their agreement on 17 March 2020 according to which as from 14 March 2020 and until further notice, any days spent by a treaty employee working from his/her state of residence shall not be taken into account when computing the 24-day rule, Luxembourg and Belgium signed, on 19 May 2020, a mutual agreement on the basis of Article 25, § 3 of the Double tax treaty ("DTT") between

Luxembourg and Belgium to take into account the situation linked to the Covid-19 crisis (the "2020 Mutual Agreement").

According to the 2020 Mutual Agreement, for the purposes of article 15, paragraph 1 of the DTT, the working days for which remuneration was received and during which the employment was carried out at home (home working days) solely because of the measures taken to fight against the COVID-19 pandemic by the Belgian or Luxembourg governments, may be considered as having been performed in the Contracting State in which the cross-border worker would have exercised his employment without the measures to fight against the Covid-19 pandemic. The cross-border workers relying on this fiction are required to apply it consistently in the two Contracting States and retain the required information (for example, a written certificate of the employer indicating which of the home-working days are due exclusively to measures related to the Covid-19 pandemic).

This fiction is not applicable for the days a cross-border worker would have worked either at home or in a third State, independently of the Covid-19 measures. The fiction does not apply to cross-border workers who, in accordance with their employment contract, generally perform their employment at home.

The 2020 Mutual Agreement is applicable for the period from 11 March 2020 (not 14 March as initially agreed on) to 30 June 2020. From 1 July 2020, the application of the 2020 Mutual Agreement will be extended until the end of each month if the competent authorities agreed in writing on such extension at least one week before the beginning of the month.

- Both France and Luxembourg agreed on 19 March 2020 that as from 14 March 2020 and until further notice that any days spent by a treaty employee working from his/her state of residence shall not be taken into account when computing the 29-day rule laid out in the double tax treaty concluded between France and Luxembourg in 2018.
- Germany and Luxembourg agreed on 3 April 2020 that, as from the 11 March 2020 and until the 30 April 2020, the working days during which German cross-border workers work from their home due to the pandemic are considered to be working days in Luxembourg and shall not be taken into account when computing the 19-day rule laid out in the agreement dated 26 May 2011 between Luxembourg and Germany. This exception only targets employees who work from home in the context of measures taken to fight the spread of the Covid-19. Employees whose contract in principle provides for homeworking are not affected. The agreement will be automatically extended from month to month until it is denounced by one of the competent authorities.
- On 12 May 2020, the tax authorities announced that in view of the gradual deconfinement of the Luxembourg economy, the administrative tolerance according to which no penalties would be levied in case of late filling of VAT declarations and subscription tax returns ("*taxe abonnement*)" is revoked. Tax returns that have not been submitted due to the Covid-19 crisis should now be submitted promptly. However, forced collection of tax debts remains suspended for the time being.
- As from 16 March 2020, VAT credits will be refunded to Luxembourg businesses whose VAT receivable balances do not exceed EUR 10,000.
- On request, deadlines for the payment of VAT are granted by the tax authorities to both individuals and legal persons.
- In a newsletter dated 18 May 2020, the tax authorities announced that the following tax-exempt allowances will be granted to companies and the self-employed affected by the Covid-19 pandemic:
    - companies with 10 to 20 employees: EUR 12,500
    - companies with less than 10 employees (micro-enterprises): EUR 5,000;
    - self-employed: EUR 2,500 and an addition allowance of EUR 3,000, EUR 3,500 or EUR 4,000; and editors of publications: EUR 5,000 with a maximum of EUR 200,000 per company.

21.2. Social measures

- Simplification of the conditions for introducing partial unemployment or short time work.
- No late payment interest and penalties will be levied for late payment of social security contributions. This measure is applicable as from 1 April 2020.
- There will be no collection or seizure measures taken for late payment of social security contributions
- On 3 April 2020, the Luxembourg government submitted a draft Grand Ducal Regulation according to which:
  - the mechanism for calculating the 78 weeks of incapacity for work due to illness is temporarily suspended during the period of the crisis.
  - the normal mechanism of burden-sharing for the cash sickness benefit is waived.
  - the calculation of interest for late payments of social security contributions is temporarily suspended for the period of the crisis.
- As part of the measures taken by the government to limit the spread of the virus, parents can benefit from an “extended” family leave scheme in order care of their elderly child(ren)) under the age of 13, if there are no other options for the child(ren) custody.
- On 3 April 2020, a draft Grand-Ducal Regulation introducing a leave for “family support” has been submitted by the Luxembourg government as part of the fight against Covid-19.This draft regulation aims to help employees and self-employed workers who are forced to stop working in order to take care of people with disabilities or of the elderly at home, when the institutions for such people are closing. This draft regulation also provides for protective measures against unfair dismissal of employees who benefit from "leave for family support".
- On 3 April 2020, the Luxembourg government submitted a draft Grand Ducal Regulation to allow employers who are concerned by the activities which are essential for the maintenance of the vital interests of the population and the country referred to in article 5 of the modified Grand-Ducal Regulation of 18 March 2020, to refuse during the state of crisis, on the one hand, leave requests, and on the other hand, leave already granted.

21.3. Financial measures

- ***Aid for SMEs that find themselves in temporary financial difficulty***

  Aid scheme for SMEs that find themselves in temporary financial difficulty.

  The eligible companies can benefit from an **advance** limited to the actual loss of income in the form of a recoverable advance from the State.

  The granting of the aid is subject to a **threefold condition**, namely:
  - that an event was recognized as having a **harmful impact** on the economic activity of certain firms;
  - that the firm was experiencing **temporary financial difficulties**; and
  - that there was a **causal link** between those difficulties and the event in question.
- ***Bank guarantee for companies during cash-flow difficulties***

  Setup of a specific surety in the form of a **guarantee** to companies that need a line of credit or a bank loan.

  This guarantee will be up to **50% of the credit** and covers a maximum amount of € 250,000 per guarantee. Companies wanting to take advantage of this guarantee must apply directly to their bank, which will decide whether to release the credit.

- ***Aid for self-employed workers that find themselves in temporary financial difficulty:*** 2500 euros, under conditions set up by the Grand Ducal regulation dated 8 April 2020.

21.4. Corporate and regulatory measures

- For good governance purposes, the Grand-Ducal Regulation of 20 March 2020 introduced measures in order to provide mechanisms enabling companies and other legal persons to hold shareholders and board meetings without having to be physically present. On 21 April 2020, the Luxembourg Parliament released a new draft law extending the effects of the Grand-Ducal Regulation dated 20 March 2020 to shareholder and board meetings held after the end of the state of crisis when the notice convening the meeting was sent at the latest on the date of the end of the state of crisis.

- On 12 May 2020, the Luxembourg Parliament passed the draft law n°7541 which relates to the extension of the deadlines relating to the filling and publication of annual accounts, consolidated accounts and related reports during the state of crisis (the "Law n°7541")The Law n°7541 extends, for a period of 3 months, :

  - the following deadlines as set out in the Luxembourg law of 19 December 2002 relating to the trade and companies register ("RCS") as well as the accounting and the annual accounts of enterprises, as amended ("2002 Law"):

    - the deadline for the filling with the RCS of the annual accounts and the balance of accounts referred to in the Luxembourg standardised chart of accounts.

    - the deadline for the publication with the *Recueil électronique des sociétés et associations* of the annual accounts as well as the related reports;

    - the deadline for the publication with the Recueil électronique des sociétés et associations of the report relating to payments made to the benefit of governments.

  - the following deadlines as set out in the Luxembourg law of 10 August 1915 on commercial companies, as amended ("1915 Law"):

    - the deadline for the publication of the consolidated accounts and the related reports.

    - the deadline for the publication with the *Recueil électronique des sociétés et associations* of the report relating to payments made to the benefit of governments.

    According to the Law n°7541, general annual meetings of companies may be convened within a period of nine months after the end of the financial year. On 21 April 2020, the Luxembourg Parliament released a new draft law allowing the holding of such annual general meetings remotely.

  - the deadlines relating to the failure by the managers and directors so as to (i) submit to the general meeting within 6 months after the end of the financial year, the annual accounts, the consolidated accounts, the management report, the certificate of the person entrusted with the audit and (ii) publish such documents in violation of the requirements of articles 461-8, 710- 23, 813-4 and 1770-1 of the 1915 Law and article 79 of the 2002 Law.

- On 7 May 2020, the Luxembourg Parliament passed the draft law n°7540 which relates to the extension of certain deadlines relating to accounting obligations of entities of the financial sector, including, inter alia, SICARs, SIFs and UCIs, in order to take into account the exceptional circumstances caused by COVID-19 (the "Law n°7540"). As a result of various comments made by the State Council on 3 and 23 April 2020, the scope of the Law n°7540 is tighter than the one expected in the initial draft law as the RAIF, the SICAR (Part II) and the SIF (Part II) are no longer covered. The Law n°7540 intends to extend the following deadlines:

  - *SICARs not falling within the scope of the Luxembourg SICAR law dated 15 June 2004, Part II* – The deadline so as to make the annual reports, together with the report of the *réviseur*

d'entreprises (statutory auditor), available to investors is extended from 6 months to 9 months, as from the end of the period to which these reports relate;

- *SIFs not falling within the scope of the Luxembourg SIF law dated 13 February 2007, Part II* – The deadline so as to make the annual report available to investors is extended from 6 months to 9 months, as from the end of the period to which the report relates;
- *UCIs Part II* – The deadline so as to publish the half-yearly report is extended from 3 months to 6 months, as from the end of the period to which the report relates.

As a result, for instance, the annual report as at 31 December 2019 that should in principle be submitted to investors for 30 June 2020 at the latest, shall be provided for 30 September 2020.

- On 26 March 2020, the CSSF amended its FAQ relating to COVID-1912, in order to precise that:
  - deadlines for, inter alia, the following documents relating to SICARs, SIFs, UCI Part II and AIFM, may be extended provided that the CSSF is informed thereof:
    - the annual reporting O 4.1./ O.4.2 (UCI) on the basis of Circular IML 97/136 to be submitted to the CSSF within 6 months (for non-UCITS) as from the reference date – this deadline may be extended until 30 June 2020.
    - the monthly reporting O 1.2. (UCIs with formal guarantee) to be submitted to the CSSF within 10 days following the end of the month – this deadline may be extended until 30 June 2020.
    - the quarterly reporting G.2.1. (SIAG/FIAAG) on the basis of Circular CSSF 18/698 to be submitted to the CSSF within 20 calendar days following the end of the preceding month – this deadline may be extended until 31 August 2020.
    - the quarterly reporting G.2.1. (AIFMs) on the basis of Circular CSSF 15/633 to be submitted to the CSSF within 20 calendar days following the end of the preceding month – this deadline may be extended to 40 calendar days following the end of the preceding month.
    - the management letter on the basis of Circular CSSF 02/81 to be submitted to the CSSF within 6 months (for non-UCITS) as from the reference date – an additional period of 3 months may be granted.
    - the semi-annual reporting K3.1 (SICAR) on the basis of Circular CSSF 08/376 to be submitted within 45 calendar days following the reference date – this reporting may be suspended until further notice.
    - the closing documents to be provided annually by AIFM pursuant to sub-points (3) to (15) of point (3) of Annex 2 to Circular CSSF 18/698 to be submitted within 5 months following the closing date of the AIFM's financial year – for the AIFMs which closed their financial year on 31 December 2019, this deadline may be extended until 31 August 2020; for the AIFMs whose financial year closed after 31 December 2019, this deadline may also be extended by 3 months.
    - the management letter to be submitted by AIFMs within the month following the ordinary general meeting that approved the annual accounts and at the latest seven months after the closing date of the AIFM's financial year – an additional period of 1 month may be granted.
    - the quarterly reporting of authorised AIFMs with the list of managed AIFs – this deadline is extended until 30 June 2020.

Useful links

- Luxembourg Ministry of Economy's website: click here.
- Luxembourg Ministry of Employment's website: click here.

For updated information please contact your Taxand team in Luxembourg at https://www.atoz.lu/

22. MALTA *(UPDATED 23.04.20)*

Since mid-March 2020, the Government of Malta has announced various measures to assist businesses severely affected by the COVID-19 pandemic. Until today, the country has not been put on a total lockdown however various businesses were asked to close shop and schools have been closed to slow down the spread of the virus. International travel, both by air and sea are limited to the transport of cargo and essential travel thus one of the main drivers of the Maltese economy, tourism, has been severely affected.

Various measures, both in terms of assistance for severely hit businesses and measures to slow down the virus are being announced frequently.

22.1. Deferral of the payment of tax

A two-month deferral was given to businesses suffering from a significant downturn in turnover, including the self-employed, to pay Provisional Tax, VAT and National Insurance Contribution on salaries. This will apply for taxes owed until the end of April. All tax forms should be submitted according to normal deadlines. The incentive is primarily aimed, but not limited to, the tourism and hospitality, entertainment, transport, and manufacturing sectors. Enterprises will still collect National Insurance on their employees' wages but will keep these dues for the duration of the deferral. Without prejudice to the right of each enterprise to prove a "significant downturn in turnover" in its specific circumstances, a drop of circa 25% or more in sales registered would certainly satisfy this condition.

The deferral for the payment of tax is possible only upon application.

22.2. Covid Wage Supplement

The Covid Wage Supplement provides employees with a basic wage cover to address the disruption caused by the COVID-19 pandemic. Funds will be forwarded to employers who will be obliged to guarantee that the Covid Wage Supplement is forwarded to the employee.

Full time employees of businesses operating in sectors that suffered drastically due to the COVID-19 pandemic (Annex A) or had to temporarily suspend operations on the order of the Superintendent of Public Health will be entitled to up to five days' salary based on a monthly wage of €800. This includes all self-employed. Part-time employees will be eligible to €500 per month.

Full time employees of enterprises in other adversely affected sectors (Annex B), will be entitled to one days' salary per week equivalent to €160 per month. Part-time employees will be eligible to one day's salary per week, equivalent to €100 per month. In the case of Gozo based enterprises this will increase to two days' salary per week equivalent to €320 per month for full time employees, and €200 per month for part time employees.

In case of full-time self-employed in other adversely affected sectors (Annex B) who have employees will be entitled to two-days' salary per week equivalent to €320 per month, part-time self-employed shall be entitled for €200 per month.

Full-time self-employed based in Gozo operating in other adversely affected sectors (Annex B) will be entitled to €320 per month. This will increase to €480, for those self-employed who employ staff, and the employees will be entitled to 2 days salary calculated on €800 a month. Part-time self-employed based in Gozo operating in other adversely affected sectors (Annex B) will be entitled to €200 per month. This will increase to €300, for those part time self-employed who employ staff, and the employees will be entitled to 2 days salary calculated on €800 a month.

It is understood that in various instances, when the operations are completely closed down due to COVID-19 measures taken by Government. employees might be asked not to attend to work. The employer is obliged to pass on, as a minimum, the €800 wage subsidy less the employee's national insurance contribution and government taxes to the employee.

In certain instances if there is agreement with the Department of Industrial and Employment Relations, employees may be required to work a four or three day week, in these instances the Covid Wage Supplement would still be allocated in accordance to the parameters established above.

The Covid Wage Supplement may only cover a person's main source of income. Those in receipt of a Government, retirement or services pension, and students receiving a stipend are not eligible.

22.3. Facilitating Teleworking Activities

This call supports employers and self-employed individuals to invest in technology that enables teleworking and to partially cover the costs of teleworking solutions.

Support shall be limited up to €500 per teleworking agreement and €4,000 per undertaking. The grant shall be awarded against 45% of the eligible cost. This call is eligible for costs incurred between 15th of February and 8th May 2020.

In order to be eligible, the employee should not have had an active teleworking agreement prior to the 15th of February 2020. All costs must be incurred after this date.

22.4. Liquidity Measures

The MDB COVID-19 Guarantee Scheme (CGS) provides guarantees to commercial banks in order to enhance access to bank financing for the working capital requirements of businesses in Malta facing a sudden acute liquidity shortage as a result of the COVID-19 outbreak. The CGS has been approved by the European Commission under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

Three-month moratorium from banks for business or personal loans. This will alleviate the burden of bank loans for all persons and businesses in this challenging period. This measure is managed by the local banks.

22.5. Social measures

Parents who both work in the private sector requiring one of the parents to stay at home to take care of school-aged children will receive a direct payment of €166.15 per week if working full-time or €103.85 per week if working part-time provided that they cannot carry out their functions through teleworking arrangements. This measure also applies for single parent families who have school-aged children.

Persons with Disability who work in the private sector and are duly registered with Jobsplus, may opt to stay home for health and safety reasons will receive a direct payment of €166.15 per week if working fulltime or €103.85 per week if working part-time.

Employees who had their full-time employment terminated as of 9th March 2020, including those who were self-employed, as a result of the COVID-19 pandemic will be eligible for the Contributory

Unemployment Benefit and will receive a direct payment of €166.15 if work was in full-time before you became unemployed or €103.85 per week if work was part-time before becoming unemployed.

Government will increase rent subsidies for individuals who have their job terminated.

Persons employed in the private sector, who after 27th March 2020, due to the impact of COVID-19 are not going to work because they are ordered by the Superintendent of Public Health not to leave their home, are not able to work from home and are not being paid by their employer during their absence from work will being given a medical benefit.

22.6. Quarantine Leave

Employers who have or had a member of their staff (including themselves) on mandatory quarantine leave in accordance with the directives of the Superintendent of Public Health are entitled to a one-off lump sum grant of €350.

The grant is also applicable for members of staff who had to quarantine themselves in view of possible contact with individuals who were directly at risk of infection, such as living in the same dwelling or in the same workplace.

This measure only covers grants for full-time employees and applies to persons employed in the private sector, who after 27th March 2020, due to the impact of COVID-19 are not going to work because they are ordered by the Superintendent of Public Health not to leave their home, are not able to work from home and are not being paid by their employer during their absence from work.

22.7. Employment of Third Country Nationals

Jobsplus will assist Third Country Nationals living in Malta to find an alternative job. No new third country national applications will be received from now on except for applications related to highly qualified persons. Companies who terminate an active employment contract shall be denied the possibility of recruiting other third country nationals.

Useful links:

- Malta Enterprise's website: click here.
- Malta Development Bank: click here.
- Social Security Department: click here.
- Tax treatment of COVID work supplement: click here

For updated information please contact your Taxand team in Malta at www.avanzia.com.mt

23. MEXICO *(UPDATED 20.05.20)*

23.1. Measures issued by the Ministry of Health

On February 28, 2020, the Mexican Ministry of Health officially confirmed the first case of COVID – 19 in Mexico. Since such date, the number of confirmed cases has increased to a total of 54,346 as of May 19, 2020. Consequently, in an attempt to reduce the spread of COVID-19, the Mexican Ministry of Health, along with the Mexican Ministry of Labor have issued several legal provisions in order to prevent COVID-19 in the work centers, most of which are relevant for the employment relationships in Mexico.

In this regard, the most significant provisions were issued on March 24, 2020, when the Mexican Ministry of Health enacted a decree by means of which preventive measures were imposed to employers and employees in order to control the health risks originating from COVID-19. Below please find a brief summary of such provisions:

- The following employees are required to remain in their homes and avoid coming into their work centers: adults over 65 years of age or older and groups at risk of developing severe diseases and/or dying from such diseases, including pregnant or breastfeeding mothers, people with disabilities, people with chronic non-transmittable diseases (i.e., people with high blood pressure, lung deficiency, kidney failure, lupus, cancer, diabetes, obesity, liver or metabolic failure, heart disease), or anyone with a disease or pharmacological treatment that causes a suppression of the immune system.

In the event that these employees, due to the nature of their positions and services, can provide their services remotely without the need to be physically present in their work centers, they must continue to provide their services on a regular basis, meaning this measure does not exempt them from providing their services.

- Public, social and private activities that involve physical gatherings, displacements or movement of individuals must be temporarily suspended. The interpretation in strict sense of such provision would be that individuals who are required to travel back and forth to their work centers to provide their services should not do so, and consequently their activities should be temporarily suspended; however, this would not be applicable for cases in which employees are able to continue rendering their services remotely.

- All the companies or establishments that are required to face the health contingency must continue to provide their services. This includes, among others: hospitals, clinics, pharmacies, laboratories, medical services, financial services, telecommunication services, information media services, hotel and restaurant services, gas station services, markets, supermarkets, transportation services and gas distribution companies, as long as they do not require closed spaces with crowds.

The suspension of non-essential activities has been reestablished until May 30, 2020.

23.2. Measures issued by the Securities and Banking Commission

In light of the SARS-CoV2 (COVID-19) international outbreak, and in order mitigate the economic effects derived from it the National Banking and Securities Commission (the “CNBV”) issued on March 25, 2020 a decree that would allow for the issuance of special accounting criteria applicable to Mexican banking institutions, on a temporary basis, with respect to consumer, housing and commercial loans -such as mortgage-secured loans, revolving and non-revolving loans aimed to individuals such as car loans, personal loans, payroll loans, credit card and microcredit; as well as commercial loans aimed at legal entities or individuals with business activity in its different forms, including agriculture and livestock-, in order for such institutions to be able to grant relief for clients whose source of revenue is affected by the measures adopted by the authorities to control the COVID-19 outbreak. The measures consist on deferring, either partially or in whole, the principal and/or interest payments of loans that were effective and in force as of February 28, 2020, for up to 4 months, with the possibility of extending it to an additional 2 months, with respect to the total outstanding amount payable, including ancillary payments, in the understanding that the balances may be frozen without causing interest.

In addition, the CNBV issued decrees on March 26 and April 28, 2020 suspending the terms for audiences and proceedings that are carried out before the CNBV and providing for online alternatives to comply with reporting obligations that require to be physically filed before the CNBV, in order to temporarily provide regulatory relief to securities issuers. The decree also authorizes the Chairman of the CNBV to identify critical processes that would not be suspended in order to assure the stability and due operation of the

financial entities and to determine authorizations that may be granted in an expedite or conditional manner. The decree will be in force as of March 23, 2020 and until May 30, 2020.

23.3. Measures issued by the Federal Judicial Branch

The Federal Judicial Branch was one of the first public entities to take measures in connection with the COVID-19 outbreak. By General Decrees (Acuerdo General 4/2020, 6/2020 and 8/2020) dated March 17, April 13 and April 27, 2020, respectively, and published in the Federal Official Gazette on March 20 and April 16, 2020, respectively, the Federal Judiciary Council adjourned the jurisdictional activity of federal courts and suspended procedural terms from March 18 to May 31, 2020. During this period only urgent matters (related primarily with criminal law procedures) will be addressed by some specific courts that remain on duty for such purpose. The Local Judicial Branches of the different states adopted similar measures and almost all of them will resume jurisdictional activity until May 31, 2020 (including courts of Mexico City).

23.4. Measures adopted by other administrative authorities

Several Mexican authorities announce the suspension of activities and terms to cope with the contingencies derived from the increasing propagation of the COVID-19 in Mexico.

- **Federal Antitrust Commission (COFECE) and Federal Telecommunications Institute (IFT)**

In light of the current COVID-19 international crisis, and for the purpose of reducing the risk of spreading the virus, both COFECE and IFT have decided that, from March 23 to May 29 and May 30, 2020, respectively, the running all time periods in proceedings being processed by these authorities will be suspended.

However, for the purpose of containing the economic impact of these measures on the country's economy and the sectors they regulate, both bodies have excluded the following proceedings from the suspension, and these may be processed electronically.

- **Ministry of Environment and Natural Resources (SEMARNAT)**

On March 24, 2020, a Decree was published in Mexico's Federal Official Gazette in order to determine the period considered as non-business days regarding administrative acts and procedures managed by the SEMARNAT and its administrative agencies (the "Decree").

The Decree was issued as a result of the current health emergency, in relation to the administrative acts and procedures carried out by the SEMARNAT. Consequently, the non-business days start from the 23 to the 27, 30 and 31 of March, as well as, from April 1 to 3, 6 to 10 and from 13 to 17, all of them for the year 2020, however, the suspension of business days does not imply the shutdown of SEMARNAT´s offices.

However, on April 30, 2020, another decree establishing that terms and deadlines are suspended until May 29, 2020 was published in Mexico's Federal Official Gazette.

- **Energy Regulatory Commission (CRE)**

On March 24, 2020, the Energy Regulatory Commission published the resolution number A/010/2020 in the Federal Official Gazette. By means of the CRE Resolution, CRE ordered the suspension of the terms and deadlines of the acts and procedures carried out before CRE, as of the date of the publication of the CRE Resolution and until April 17, 2020, as a measure to prevent and combat the spread of the Coronavirus Covid-19.

Additionally, the CRE Resolution sets forth that all requests and applications submitted to CRE within the term of the suspension will be deemed as filed on April 20, 2020.

Nevertheless, on April 30, 2020, the CRE published an Agreement in the Federal Official Gazette which established the suspension of the terms and deadlines of the acts and procedures carried out before said Commission until May 30, 2020.

23.5. Legal Implications: Fulfillment of Contractual Obligations in Mexico

The recent global public health crisis resulting from the Coronavirus outbreak (COVID-19) has consequences in many areas of the current reality; the legal field is no exception.

The declaration by the World Health Organization of a pandemic and the measures adopted in Mexico, both by governmental authorities and the private sector, have raised various questions regarding potential exceptions to the fulfilment of contractual obligations and the corresponding enforceability of rights.

In that context, the concepts of “Act of God”, “Force Majeure”, “Material Adverse Effect” and other similar concepts become particularly relevant to the analysis of the rights and obligations of the parties to any contract. Therefore, in order to determine the specific consequences that COVID-19 will have in relation to the fulfilment of contractual obligations, it is necessary to carry out a case-by-case study of the contracts and the applicable law, also considering the specific impact of the governmental provisions that have been adopted and could be subsequently issued in this respect.

23.6. Tax related Measures adopted by the local authorities of Mexico City

On March 20 and April 20, 2020, the “Agreement by which inherent terms and deadlines of administrative procedures are suspended and administrative benefits regarding tax obligations are granted, to prevent the spread of COVID 19” and the “Agreement that modifies the Resolution by which inherent terms and deadlines of administrative procedures are suspended and administrative benefits regarding tax obligations are granted, to prevent the spread of COVID 19” (the “Agreements”) were published on Mexico City’s Official Gazette, respectively.

Said agreements establish that terms and deadlines for the performance of actions and diligences in connection with administrative procedures before local authorities are suspended from March 23 to May 29 of the current year. In this sense, several procedures were also suspended, such as the request and reception of documents, verification visits and customer service at their offices. Said suspension is not applicable to procedures regarding urban development, construction and the real-estate sector.

Said suspension will not be applicable to the activities of inspection that, within the scope of its powers, are carried out by the Treasury of Mexico City’s Ministry of Administration and Finance, except for the activities listed in the Agreement.

Additionally, deadlines in connection with the filing of tax returns and their corresponding payments established in Mexico City’s Fiscal Code will be extended. Taxpayers will be able to file said returns and make the corresponding payments until April 30,2020.

Finally, the deadline for the payment and the granting of the subsidy regarding the Tax on the Ownership or Use of Automobiles (“ISTUV”, as per its acronym in Spanish) was moved from March 31 to June 30, 2020.

23.7. Federal Tax related Measures

The Federal Government has stated that the collection of taxes is an essential activity that will continue to be carried out with no plan to assist or provide incentives to taxpayers. On the contrary, the message being sent is that taxpayers have to help fund the necessary government revenue in order to be able to face the coming health crisis.

However, on May 4, 2020, the Tax Administration Service (“SAT”, as per its acronym in Spanish) published rule 13.3. of the Tax Miscellaneous Resolution for 2020 which suspends the computation of legal terms and deadlines of several legal acts and procedures to be conducted by and before the SAT from May 4 to May 29, 2020. Regarding deadlines computed in months and years, such deadlines shall be extended by 26 natural days, at the end of which the applicable terms will expire. It is also foreseen that any legal acts or procedures carried out during the suspension period, which legal term or deadline is suspended by the aforementioned rule, shall be understood to have been carried out on the first business day of June, 2020.

Said suspension shall not be applicable to situations where the legal acts or procedures may be conducted through electronic means. We strongly recommend analyzing the specific legal acts and procedures to which the suspension shall apply. Nevertheless, it is important to mention that new rule 13.3. does not contemplate an extension or modification in the term regarding the payment of federal taxes.

23.8. Filing of individuals' annual tax return

On April 22, 2020, the fourth anticipated version of the First Resolution of Modifications to the Tax Miscellaneous Resolution for 2020 was published by the SAT, which contemplates the incorporation of rule 13.2. Said rule establishes that individuals may submit their annual tax return no later than June 30, 2020.

23.9. The Federal Telecommunications Institute extends the suspension periods

In order to reduce the risks faced today in relation to the spread of the COVID-19 virus, the Federal Telecommunications Institute decided to extend the suspension of deadlines and tasks.

23.10. Criminal risk and adjustments to corporate Compliance

The Agreements establishing the implications in criminal matters, data protection, access to information and anti-corruption issued due to the COVID-19 virus were published in the Official Gazette of the Federation.

23.11. Guidelines for essential activities

The Ministry of Health published in the Official Gazette of the Federation an agreement establishing the technical guidelines for the operation of "essential" activities during the health contingency:

1. Term. The Decree will be legally binding since the day of its publication and it will remain in force until the health emergency it is declared to be concluded.

2. Activities whose suspension may have irreversible effects. For "activities whose suspension may have irreversible effects for its continuation", the following must be understood: steel, cement and glass production companies, as well as technology services that guarantee the continuity of computer systems in the public, private and social sectors.

3. Agreements with the Federal Government. Those steel, cement and glass production companies that have executed agreements with the Federal Government will continue activities that allow them to fulfill short-term commitments.

4. Courier services. Regarding courier services, these include companies and electronic commerce platforms, provided they comply with the measures of healthy distance.

5. Coal Mines. They will maintain a minimum activity that satisfies the demand of the Federal Electricity Commission.

As mentioned above, the health contingency and its related measures, including the suspension of non-essential activities, have been extended until May 30, 2020.

23.12. Energy Regulatory Comission Extension of Suspension of Activities

The Energy Regulatory Commission published in the Official Gazette of the Federation the Agreement establishing the extension of the suspension of terms and deadlines of the acts and procedures carried out before CRE, until May 30, 2020.

23.13. The National Banking and Securities Commission (CNBV) granted certain time extensions

As a result of the ongoing COVID-19 international outbreak and the compliance issues that the measures to contain it may cause, the Chairman of the Mexican National Banking and Securities Commission ("CNBV", for its acronym in Spanish), by means of the powers granted to him by the CNBV, issued a

decree on March 25, 2020 (the “Filing Decree”) and a decree on April 8, 2020 (the “Extension Decree”), granting filing alternatives and time extensions, respectively, to comply with certain issuers’ periodic reporting obligations.

As a result of the declaration of the preventive measures that include the reduction of the activities of several government offices, and the recommendation for companies to adhere to such measures, in most cases, the CNBV has granted a temporary due date time extensions of approximately 45 business days for the submission of the annual and quarterly information with the CNBV and the corresponding Stock Exchange.

23.14. IACHR Resolution 01/20 on the COVID-19 Pandemic and its effects on private corporations

Inter-American Commission on Human Rights ("IACHR") Resolution 01/2020 states that companies have a key role to play in the health crisis and warns of the risks of restricting their rights. At the same time, it requires companies to be monitored by governments and held accountable for their abuses, recommending that they adopt human rights due diligence processes.

On April 10, 2020, the IACHR adopted Resolution 01/2020 on the COVID-19 Pandemic ("Resolution") warning that it may seriously affect the validity of human rights and that poses significant challenges for the States of the Americas. At the same time, it notes that pandemic containment measures have involved the suspension and restriction of rights through declarations of "state of emergency" issued by presidential decrees.

23.15. The National Energy Control Center (CENACE) extends suspension of the terms and deadlines

As a consequence of the measures ordered by Mexico’s General Health Council and Ministry of Health to prevent and combat the spread of the Coronavirus Covid-19, on April 30, 2020, the National Energy Control Center (“CENACE”) published in the Federal Official Gazette a resolution (“Resolution”) amending the “Resolution" that orders the suspension of the deadlines and terms of the acts and proceedings carried out before CENACE, from March 26, 2020 until Sunday, April 19, 2020” (the “Original Resolution”).

Said Resolution established the suspension of the deadlines and terms of the acts and proceedings carried out before CENACE until May 30, 2020.

Useful links:

http://www.macf.com.mx/en/covid-19/

For updated information please contact your Taxand team in Mexico at http://www.macf.com.mx/

24. NETHERLANDS *(UPDATED 21.05.20)*

On March 17th, 2020, the Dutch Ministers and State Secretaries **of Economic Affairs and Climate and of Finance and the Minister of Social Affairs and Employment** announced an additional package of measures to reduce the economic consequences of the Covid-19 virus[14]. On April 24th, 2020, additional tax measures have been announced by the State Secretary of Finance.[15] On May 6th, 2020, these additional tax measures have been formalized by way of a decree.[16]

24.1. Tax measures

- **Corona reserve in FY19 accounts and tax return to offset expected FY20 losses due to Corona crisis**

  To increase liquidity, corporate taxpayers are allowed to take into account a "Corona reserve" in FY19 (i.e. lowering the FY19 taxable profit accordingly) to take into account the expected FY20 loss that can be linked to the Corona crisis. The Corona reserve may not exceed the FY19 taxable profit (without taking into account the Corona reserve) nor may the amount of the reserve exceed the expected FY20 loss resulting from the Corona crisis.

  As a result of taking into account the Corona reserve, taxpayers can claim a refund of FY19 corporate income tax paid by requesting an additional (lower) provisional FY19 corporate income tax assessment. In case the FY19 corporate income tax return has been submitted already, the Corona provision can still be claimed by submitting a new FY19 corporate income tax return. In addition, the reserve should be released in FY2020.

  In the event of a broken FY, the Corona reserve can be taken into account in the period from January 1st, 2019 until March 31st, 2020 and the reserve should be released in the consecutive FY.

  Note that taking into account a Corona reserve may impact other corporate income tax schemes, for example the tax loss carry forward position of taxpayers.

- **Postponement in payment of taxes, no fines and 0.01% interest**

  Companies and freelancers who have received a provisional assessment issued by the Dutch Tax Authorities ("**DTA**") can apply for a three-month postponement of payment of personal income tax ("**PIT**"), corporate income tax ("**CIT**"), VAT, wage tax, excise duties, gambling tax, insurance tax and environmental taxes. No postponement applies for the payment of Dutch dividend withholding tax. The DTA will immediately cease the collection of the aforementioned taxes and will not impose fines. Interest on overdue tax calculated during the term of the postponement, has also temporarily decreased from 8%/4% to 0.01%. A request for postponement of payment under conditions can be considered as a so-called notification of the inability to pay taxes. As such this notification is essential to avoid directors' tax liabilities, please always consult with your Dutch tax expert on actions required in your specific case.

- **Increase of the work-related costscheme "*WKR*" (tax free allowances for employees) from 1,7% to 3% for 2020 for the first € 400.000 of the wage bill, with a maximum of € 12.000**

- **Release of g-account (guarantee account)**

  The g-account is in particular used by companies active in the temporary employment, secondment and construction sector to pay wage tax and VAT to the DTA. In addition to the existing possibility to unfreeze surpluses, this measure makes it possible to use the funds in the g-account for which the (abovementioned) postponement of payment has been granted. With this measure, companies using a g-account are given the same liquidity advantages as companies without a g-account.

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[14] *Press release of the Ministry of Economic Affairs and Climate dated March 17th, 2020, « Emergency measures employment and economy », CE-AEP / 20077147.*

[15] *Letter of the Ministry of Finance dated April 24th, 2020, « Additional tax measures in relation to covid-19, 2020-0000080433.*

[16] *Decree of the Ministry of Finance dated May 6th, 2020, « Emergency measures related to Covid-19, Government Gazette 2020, 26066.*

- **Lowering of provisional tax assessments**

  Lowering of FY20 provisional tax assessments if a lower profit or loss is expected. By adjusting the FY20 provisional tax assessment, a refund of tax paid on previous FY20 provisional tax assessments can be claimed to optimize the cash position.

- **Postponement of payment of energy tax and surcharge for sustainable energy ("ODE")**

  Energy tax and ODE is levied on the suppliers of natural gas and electricity. To increase the liquidity for customers of energy suppliers, the government has provided a postponement of payment of energy tax and the surcharge for sustainable energy. Suppliers of natural gas and electricity have the possibility to not charge energy tax and ODE, nor the VAT, in the months of April, May and June 2020. In October 2020, the energy tax and ODE (including VAT) will be charged and remitted by the energy suppliers via an additional invoice. The postponement only applies to deliveries for which the supplier invoices without advantages. For this reason and also due to implementation costs, it will not be possible for smaller energy suppliers and private individuals to make use of this measure.

Adopted motions tax measures[17]

- **Extension carry back** to set-off losses. Carry back is currently restricted to one year, the government considers to extent this period.

24.2. Social measures

I. **Emergency measure wages** *("Tijdelijke Noodmaatregel Overbrugging Werkgelegenheid - NOW"):*

Key requirements

- (Expected) loss in turnover of at least 20%;
- Employer continues to pay full wages, no redundancies;
- Application applies for three months.

Key benefits

- Up to 90% financial compensation wages. Pro rata calculation applies, for example:
  - Loss in turnover 100%; 90% financial compensation wages
  - Loss in turnover 50%; 45% financial compensation wages
- Compensation (capped at €9,538 per month per employee) + 30% employer cost
- Financial compensation is based on wage tax return, make sure return is filed with the tax authorities

The NOW measure initially applied at group level, however following a recent adjustment taxpayers now have the possibility to apply for the NOW measure at the level of individual group entities (e.g. operational entities suffering a – significant – loss in turnover). For more information, please click here.

II. **Financial compensation self-employed individuals** up to € 1,500

III. **Financial compensation enterprises,** one-time gift of € 4,000

[17] *The motions have been filed by members of the Dutch Parliament and adopted for consideration. Kamerstukken II 2019/20, 73 925, nr, 25 and 26.*

24.3. Financial measures

I. **Guarantee bank loans** (A**)** *("BMKB")* to increase bank debt capacity and optimize financing conditions

Key requirements

- For small and mid-size enterprises (max 250 employees, €50 million turnover or €43 million balance sheet total);
- 75% of bank debt is guaranteed of which 90% by the government;
- Debt limit of €1.5 million applies and the term is limited to 16 quarters.

II. **Guarantee bank loans (B)** *("Garantie Ondernemingsfinanciering – GO")* to increase bank debt capacity and optimize financing conditions

Key elements

- Mid and large size enterprises can apply for the government guarantee fund;
- Government provides for a 80% guarantee for large enterprises and a 90% guarantee for SMEs on bank debt and bank guarantees;
- Limit of €150 million per enterprise and the term is limited to 6 years;
- Apply at bank to benefit from the government guarantee.

III. **Bridging loans for start-ups, scale-ups and other innovative companies** *("Corona-Overbruggingslening – COL")* to increase cashflow

Key elements

- Start-ups, scale-ups and other innovative companies fully financed with equity and zero bank debts will be able to apply for a bridging loan with the Regional Development Companies ("ROMs");
- Starting from € 50.000 and limited to € 2 million per enterprise and an interest rate of 3%.

IV. **Temporary bridging loan program for innovative start-ups and scale-ups** *("Tijdelijk Overbruggingskrediet Programma innovatieve Start- en Scaleups – TOPSS")*

Key elements

- Initiative of Invest-NL, the "ROMS" and Techleap.nl to accommodate start-ups, scale-ups and other innovative companies that are not sufficient for the "COL" (see above);
- The scope concerns financing rounds from € 2 million per enterprise with involvement of professional investors. In principle, Invest-NL finances a maximum of 50% of the financing round; the remaining 50% should be financed by a co-investor. Financing is provided in the form of a convertible loan;
- The term is limited to 3 years (redemption-free) with an interest rate of 8%.

V. **Contribution for healthcare providers** not directly involved in the care of COVID-19 patients

VI. **Guarantee government for working capital** of agriculture and horticulture enterprises

VII. **Interest reduction on microcredits** for self-employed individuals and small enterprises

Useful links:

- Dutch Chamber of Commerce's website: click here
- Dutch Government's website in English: click here

For updated information please contact your Taxand team in the Netherlands at https://www.taxand.nl/en/

25. NORWAY *(UPDATED 20.05.20)*

The Norwegian government has introduced several measures to counteract the economic consequences of the Covid-19 outbreak. The measures are in particular directed towards supporting employees being temporarily redundant and to support business especially suffering under the current circumstances.

The fiscal measures so far add up to over NOK 139 billion, corresponding to around 4.6 percent of mainland GDP. In addition, the budget is estimated to be weakened by more than NOK 60 billion by reduced tax revenues and higher expenses due to the economic downturn (automatic stabilizers). Overall, the oil-adjusted budget balance is estimated to be weakened by NOK 201 billion in 2020. In addition, the Norwegian government contributes with guarantee schemes for small and mid-size enterprises and a special loan scheme from the Government Bond Fund, in the aggregate worth more than NOK 100 billion.

25.1. Tax measures

- ***Reversed deficit:*** Allowing loss-making companies to re-allocate up to NOK 30 million of the loss in 2020 against taxed surplus from 2018 and 2019 and refunding the tax value of this loss in 2020.
- ***Postponed deadlines for payments:*** Postponing deadlines for payment of value added tax, employer tax, advance tax for self-employed and companies, and several exercise taxes, including CO2.
- ***Postponed deadline for filing tax return:*** The deadline for companies to file the tax return for 2019 has been postponed from 31 May to 31 August 2020.
- ***Increased rate of initial depreciation on machinery:*** The Government has introduced an initial depreciation rate of an extra 10 percent (up to 30 percent) for investments in machinery and inventory made in 2020.
- ***Reduced rate for payroll tax:*** The Government has reduced the payroll tax rate for May and June with 4 percent.
- ***Reduced VAT rate:*** Reduction of the low VAT rate, which includes passenger transport, accommodation and parts of the cultural sector, from 12 to 6 per cent. The reduced VAT rate will have effect from 1 April until the end of October 2020.
- ***Suspension of air passenger tax:*** Suspension of the tax on air passengers, for flights in the period from 1 January until 31 October 2020. Suspension of payments of aviation charges.
- ***Time limited tax reliefs for the oil and gas industry:*** The Government has announced that they will propose certain time limited tax reliefs for the oil and gas industry. The companies will be allowed a direct expense of development capex with effect for the 56% special petroleum tax basis. For the 22% corporate tax basis the current 6 year straight-line depreciation will be continued. For covered investments (i.e. investments subject to the direct expense for special tax purposes) there will also be an uplift of 10% that can be fully taken in the year of investments. The changes in depreciation and uplift will come in to effect for investments made in 2020 and 2021 but may also include some investments through to 2024.

25.2. Social measures

- ***Reduced employer-paid days for temporary lay-offs:*** A reduction in employer-paid days from 15 to 2 for temporary lay-offs, from 10 to 3 for care-related leave and from 16 to 3 for corona-related sick leave.
- ***Extended sick-leave period:*** A doubling of the number of days parents can stay home with sick children and allowing transfer of days between co-parents. New rules entitle self-employed and freelancers to the same number of sick-kid's days as employees, less a three-day waiting period.
- ***Support to students:*** Increase access to loans for students who have lost work income. NOK 1 billion is allocated to convert some of that supplement loan into a grant.
- ***Extension of the unemployment benefit scheme:*** An extension of the unemployment benefit scheme by granting benefit from the first day and increasing the daily allowance. Temporary laid off persons are guaranteed 100 per cent compensation until a salary of 599 148 NOK for the first 20

workdays and after such a period on a reduced compensation rate for up to 26 weeks. The schemes for temporary laid off and unemployed are also adjusted to include more people. There has also been introduced a temporary scheme to secure self-employed and freelancers who are not included in the unemployment benefit scheme and to give self-employed and freelancers sickness benefit from day four. It has also been introduced a new and temporary benefit for apprentices in case of unemployment or temporary layoff. As well as a special temporary benefit scheme based on social assistance rates for persons outside the EU/EEA area staying in Svalbard.

- ***Compensation to the culture sector:*** A compensation scheme of NOK 900 million for culture, sport and voluntary sectors.

25.3. Business measures

- **Compensation to businesses:** A compensation scheme for otherwise sustainable businesses with at least 30 percent drop in revenue due to the virus outbreak, or 20 percent drop in March. The amount of support will depend, among others, on the size of revenue loss, the size of the enterprise's unavoidable fixed costs and whether the enterprise has been ordered by the government to close.
    - The scheme will be able to provide support in the interval of NOK 5,000 - 30,000,000 per company per month for fixed costs. For groups there will be suggested a higher maximum support level, such a solution is depending on approval by the EFTA Surveillance Authority.
    - Companies that are required by the government to close temporarily, may achieve up to 90% of coverage of their inevitable costs. The amount of costs covered by the government may be calculated as follows: *Reduction in turnover x fixed costs x 90%*.
    - Undertakings that are not required to close, may achieve up to 80% coverage of their inevitable costs, adjusted for actual turnover reductions and a deduction (own risk) of NOK 5,000. The amount of costs covered by the government may be calculated as follows: *Reduction in turnover x (fixed costs – NOK 5,000) x 80%*.
- **New interim bankruptcy and reorganization rules:** The Norwegian government has proposed new interim rules for reorganization and bankruptcy. The interim rules will make it easier for companies to renegotiate debt and to reorganize the company without filing for bankruptcy. One of the purposes of the interim rules is to avoid unnecessary bankruptcies resulting from liquidity challenges in today's situation. The interim rules are expected to become permanent.

25.4. Financial measures

- ***State guarantee scheme for businesses:*** A state guarantee scheme for bank loans to enterprises, with a total guarantee volume of NOK 50 billion. The state guarantees 90 per cent of each bank loan. Entered into force on March 27, after approval by the EFTA Surveillance Authority. Within the scheme small and medium sized enterprises (which employ less than 250 people, have an annual sale of less than € 50 million and a balance sheet of less than € 43 million) may borrow up to NOK 50 million, and larger enterprises may borrow up to NOK 150 million.
- ***Government bond fund:*** A government bond fund with an investment budget of NOK 50 billion to increase liquidity and access to capital in the Norwegian bond market.
- ***Innovation Norway new loan scheme:*** Increased borrowing limit in Innovation Norway's loans scheme by NOK 1.6 billion.
- ***Aviation guarantees:*** An aviation guarantee scheme totaling NOK 6 billion, with a 90 percent government guarantee on each loan. NOK 3 billion is directed to Norwegian Air Shuttle, 1.5 billion to SAS and 1.5 billion to Widerøe and other airlines.

Useful links:

- General web page regarding Covid-19: here
- List of economic measures: here

For updated information please contact your Taxand team in Norway at www.selmer.no

26. PERU *(UPDATED 21.05.20)*

On March 11, 2020, the World Health Organization classified the outbreak of Coronavirus (COVID-19) as a pandemic. Therefore, through Supreme Decree No. 008-2020-SA, a National Health Emergency was declared in Peru for a 90 calendar-day period. Shortly after, on March 15, through Supreme Decree No. 044-2020-PCM, a National State of Emergency was declared for a 15 calendar-day period, during which Peruvian citizens were bound to remain in social isolation (quarantine). Several extensions of both the National State of Emergency and the quarantine have followed thereafter; however, most recently, Peruvian President Martín Vizcarra has publicly announced that they will remain in force until May 24.

26.1. Tax and custom measures

- ***New dates for the Annual Income Tax Return (for tax debtors with net income of up to 5,000 Tax Units[18])***

  The scheduled deadlines to file the Annual Income Tax and Financial Transaction Tax returns, as well as to perform tax payments thereof, have been modified for tax debtors who, in fiscal year 2019, have obtained up to 5,000 Tax Units in (i) third category net income (corporate income) or (ii) income belonging to other categories that altogether do not exceed said amount.

  For such purposes, the new deadlines will range between June 24 (for taxpayers whose Tax ID ends in 0) and July 9 (for 'Good Taxpayers' and taxpayers that are not required to register in the Taxpayer Registry).

- ***Extensions for monthly tax obligations***

  For tax debtors who, in fiscal year 2019, have obtained up to 2,300 Tax Units[19] in (i) third category net income (corporate income) or (ii) income belonging to other categories that altogether do not exceed said amount, the following filings will be extended:

  a) Declaration and payment of all monthly tax obligations, regarding February 2020:

Due date according to the last digit of the Taxpayer ID					
1	**2 and 3**	**4 and 5**	**6 and 7**	**8 and 9**	**'Good taxpayers'**
June 4, 2020	June 5, 2020	June 8, 2020	June 9, 2020	June 10, 2020	June 11, 2020

  b) The maximum dates of delay for the Sales and Income Electronic Ledger and the Purchase Electronic Ledger, regarding February 2020:

Due date according to the last digit of the Taxpayer ID				
2 and 3	**4 and 5**	**6 and 7**	**8 and 9**	**'Good Taxpayers'**
June 4, 2020	June 5, 2020	June 8, 2020	June 9, 2020	June 10, 2020

  Notwithstanding the aforementioned, for tax debtors who, in fiscal year 2019, have obtained up to 5,000 Tax Units in (i) third category net income (corporate income) or (ii)

[18] *According to the Tax Unit value for fiscal year 2019, such amount is equivalent to S/21'000,000 (approximately US$6'000,000).*

[19] *According to the Tax Unit value for fiscal year 2019, such amount is equivalent to S/9'660,000 (approximately US$2'760,000)*

income belonging to other categories that altogether do not exceed said amount, the following filings will be extended:

a) Declaration and payment of all monthly tax obligations, regarding March, April, May and June 2020:

	Due date according to the last digit of the Taxpayer ID						
	0	**1**	**2 and 3**	**4 and 5**	**6 and 7**	**8 and 9**	**'Good Taxpayers'**
March 2020	June 12, 2020	June 15, 2020	June 16, 2020	June 17, 2020	June 18, 2020	June 19, 2020	June 22, 2020
April 2020	July 3, 2020	July 6, 2020	July 7, 2020	July 8, 2020	July 9, 2020	July 10, 2020	July 13, 2020
May 2020	July 14, 2020	July 15, 2020	July 16, 2020	July 17, 2020	July 20, 2020	July 21, 2020	July 22, 2020
June 2020	August 5, 2020	August 6, 2020	August 7, 2020	August 10, 2020	August 11, 2020	August 12, 2020	August 13, 2020

b) The maximum dates of delay for the Sales and Income Electronic Ledger and the Purchase Electronic Ledger, regarding March, April, May and June 2020:

	Due date according to the last digit of the Taxpayer ID						
	0	**1**	**2 and 3**	**4 and 5**	**6 and 7**	**8 and 9**	**'Good Taxpayers'**
March 2020	June 11, 2020	June 12, 2020	June 15, 2020	June 16, 2020	June 17, 2020	June 18, 2020	June 19, 2020
April 2020	July 2, 2020	July 3, 2020	July 6, 2020	July 7, 2020	July 8, 2020	July 9, 2020	July 10, 2020
May 2020	July 13, 2020	July 14, 2020	July 15, 2020	July 16, 2020	July 17, 2020	July 20, 2020	July 21, 2020
June 2020	August 4, 2020	August 5, 2020	August 6, 2020	August 7, 2020	August 10, 2020	August 11, 2020	August 12, 2020

- ***Additional measures to favor the availability of resources and grant other facilities to tax debtors in the context of the National State of Emergency***

Taxpayers with deferrals and/or installments or a refinancing of their tax debts granted until March 15, 2020, are subject to the following stipulations, provided that as of said date the Peruvian Tax Administration (SUNAT) has not notified the loss of such facilities:

a) The installment payment regime will be lost if:

i. The full amount of two (2) consecutive installments is owed. Installments due on March 31 and April 30 will not be considered for such purposes, provided they are paid, together with their default interest, on or before May 29.

ii. The full amount of the last installment is not paid within the established term. The installment payment regime will not be lost if the last installment expires on March 31 or April 30 and, together with its default interest, is paid on or before May 29.

b) The deferral will be lost if the taxpayer fails to fully pay the deferred tax debt and the corresponding interest on the established due date. Nonetheless, if said due date is on March 31 or April 30, the deferment will be lost if it is not paid on or before May 29.

c) Deferral with installment payments:

i. Both will be lost if the full interest of the deferral is not paid within the established due date. Nonetheless, if said due date is on March 31 or April 30, they will be lost if not paid on or before May 29.

ii. The installment payment regime will be lost if:

a. The application fee is not paid on the scheduled dates. If said fee had to be paid on March 31 or April 30, the regime will be lost if it is not paid on or before May 29.

b. Having paid the application fee and the interest for deferral, the full amount of two (2) consecutive installments is owed. For such purposes, the fee that falls due on March 31 and April 30 is not considered, provided it is paid together with the default interest on or before May 29.

c. The full amount of the last installment is not paid within the established period. If the due date is March 31 or April 30, the installment payment regime will be lost if it is not paid on or before May 29.

- ***New Deferral and/or Installment Regime (DIR) for tax debts administered by the Peruvian Tax Administration (SUNAT)***

Outstanding tax debts, as of the date in which the corresponding application is submitted, may be eligible for the DIR. These debts may include, among others, (i) advanced payments on Corporate Income Tax for periods January, February and March 2020; (ii) fines; and (iii) any amounts from previous deferrals and/or installments that are pending payment.

Nonetheless, the following tax debts may not be subject to the DIR:

a) Debts generated by tax withholdings or perceptions.

b) Debts included in a bankruptcy proceeding or in a judicial or extrajudicial liquidation proceeding.

c) Surcharges, as defined by the General Customs Law.

d) Advanced payments on Income Tax, except for those which correspond to periods January, February and March 2020.

Additionally, in order to become eligible for the DIR, taxpayers must take into account the following requirements:

a) They must be registered in SUNAT's Taxpayer Registry (RUC).

b) They must have filed the monthly VAT and Income Tax returns, corresponding to periods March and April, 2020.

c) They must register a decrease in the amount of their monthly income for the periods of March and April 2020, as compared to the same periods in 2019.

d) They must not have an account balance of more than 5% of 1 Tax Unit (i.e. S/ 215 or, approximately, US$ 62) in any detraction system accounts under their name at the Peruvian National Bank (*Banco de la Nacion)*.

e) They must have filed all the returns that correspond to the tax debt included in their application to the DIR.

Furthermore, other relevant measures regarding the DIR include the following:

Matter	Measures
Deadlines for deferrals and/or installments	– Deferral: up to 6 months. – Installment: up to 36 months. – Deferral with Installment: up to 6 months of deferral and 30 months of installment.
Applicable interest rate	– 40% of the Default Interest Rate effective on the date in which SUNAT publishes the resolution that sets out the terms and conditions for eligibility.
Filing of applications	– Applications to the DIR must be submitted no later than August 31, 2020. – SUNAT shall resolve such requests within 45 calendar days from their submission.
Guarantees	– In specific cases, such as tax debts exceeding 120 Tax Units (i.e. S/ 516,000 or, approximately, US$ 149,000), guarantees must be provided regarding the tax debt subject to deferral and/or installment (i.e. letter of guarantee and first-rank mortgage).

- ***New measures regarding the Special Regime for Value-Added Tax (VAT) Early Recovery to promote the acquisition of capital goods***

  In order to encourage the acquisition of capital goods, the Peruvian Government has approved the extension of the Special Regime for Value-Added Tax (VAT) Early Recovery (the "Regime") until December 31, 2023.

  The Regime consists in the refund of tax credit (VAT) arising from imports and/or local acquisitions of new capital goods performed by taxpayers who carry out exports or activities linked to the production of goods and services that are levied with VAT.

  Furthermore, although the Regime was initially designed for taxpayers with an annual net income of up to 300 Tax Units (approximately, US$ 390,900), the Peruvian Government has established that taxpayers with an annual net income of over 300 Tax Units and up to 2,300 Tax Units (approximately, US$ 3'000,000) can also apply to said regime until December 21, 2021.

  Nonetheless, for said taxpayers, the Regime shall solely be applicable to the imports and/or local acquisitions of new capital goods performed between January 1, 2020 and December 31, 2021.

- ***New rules for the determination of Corporate Income Tax Advanced Payments***

  Taxpayers subject to Corporate Income Tax may reduce or even suspend their advanced payments for periods April, May, June and July, 2020.

  For such purposes, taxpayers are required to compare their level of income for any of the abovementioned periods against the income obtained in previous months (i.e. if applicable, taxpayers are required to perform such comparison against the same month in 2019). Depending on the magnitude of the decrease in income, the following may apply:

  a) If there is no decrease in income, then advanced payments on Corporate Income Tax shall be carried out as they do regularly (i.e. no reductions or suspensions apply).

b) If there is a decrease in income of 30% or less, then advanced payments on Corporate Income Tax may be reduced.

c) If there is a decrease in income of more than 30%, then advanced payments on Corporate Income Tax may be suspended.

- ***New modifications to the Peruvian Income Tax Law Regulations***

The following modifications have been made to the Peruvian Income Tax Law Regulations:

a) Expense deductions related to the destruction of damaged inventory:

The time frame for informing SUNAT about the destruction date of damaged inventory has been reduced to 2 business days prior to carrying it out. Furthermore, a Notary Public will no longer be required to witness the destruction when the cost of the damaged inventory within a given fiscal year does not exceed 10 Tax Units (approximately, US$ 13,000).

In such cases, said destruction may be certified with a technical report indicating, among others, the following aspects: (i) identification, amount and cost of the damaged inventory; (ii) the place, date and hour of destruction thereof; (iii) the destruction method employed; and (iv) the reasons that motivated said destruction as well as the corresponding technical support.

Exceptionally, the destruction of damaged inventory carried out between April 22 and July 31, 2020 may be evidenced solely with the aforementioned technical report, which shall be submitted to SUNAT on or before August 7, 2020.

b) New regulations related to the indirect transfer of shares

The new regulations provide several criteria to be considered for determining the market value in an indirect transfer of shares; applicable to shares issued by domiciled companies that are owned by a non-domiciled company, as well as to the shares issued by said non-domiciled company.

- ***Extension of the loss carry-over period for Income Tax purposes***

The period for offsetting the total corporate net loss registered in fiscal year 2020 under System "A" (as regulated by the Peruvian Income Tax Law), has been extended for up to five years.

Overall, under said loss carry-over system, the corporate net loss reported in a given fiscal year may offset against the total corporate income generated in the four subsequent fiscal years. Any remaining balance therefrom may not be used in the following fiscal years.

Nevertheless, resident taxpayers who have chosen System "A" may exceptionally offset the total corporate net loss registered in fiscal year 2020 against the corporate net income obtained during the following five fiscal years, calculated as from fiscal year 2021.

- ***Special depreciation regime for Income Tax purposes***

In order to promote private investment and provide greater liquidity within the current economic situation caused by the COVID-19 health crisis, a special regime has been established, on an exceptional and temporary basis, for taxpayers registered under the General Income Tax Regime (*Régimen General del Impuesto a la Renta*) as of January 1, 2021.

Such regime provides a higher depreciation rate for buildings and constructions (i.e. 20% per year, up to its full depreciation), provided that:

a) The construction has begun on or after January 1, 2020; and

b) By December 31, 2020, the construction is at least 80% completed.

The depreciation of subsequent costs implemented to the construction that meet the aforementioned conditions, will be computed separately.

On the other hand, the assets detailed below, acquired during fiscal years 2020 and 2021, will be subject to the following maximum annual depreciation rates:

Type of Asset	Maximum Annual Depreciation Rate
Data processing equipment	50%
Machinery and equipment	20%
Land transport vehicles (except railways), with EURO IIV, Tierrll and EPA2007 technologies, employed by authorized companies that provide transport services at a provincial, regional and national level.	33,3%
Land transport vehicles (except railways) hybrids (with piston engine and electric engine) or electric (with electric engine).	50%

Furthermore, note that as of the date hereof, the regulations required to fully implement this regime are still pending.

- ***Discretionary power to administer sanctions for tax offenses during the National State of Emergency***

  Tax infractions incurred by tax debtors during the National State of Emergency (that is, until May 24), including violations committed or detected between March 16, 2020 and March 18, 2020, will not be administratively sanctioned.

  Notwithstanding the preceding, the refund or compensation of the payments related to such infractions, made prior to the issuance of the Resolution that approved this measure (March 18, 2020) will not proceed.

- ***Suspension of deadlines***

  The calculation of deadlines in the context of administrative proceedings subject to positive and negative silence is suspended until June 10, 2020, except for the cases where the corresponding resolution has already been issued by the competent authority but is still pending notification. Note that said suspension has been in force since March 16, 2020.

  As for other types of administrative proceedings (including those carried out before the Peruvian Tax Administration and the Peruvian Tax Court), the calculation of deadlines is also suspended until June 10, 2020. Note that said suspension has been in force since March 21, 2020.

  In either case, public entities have recently been legally authorized to determine which proceedings will not be subject to said deadline suspensions.

- ***Modification of interest rates applicable from April 1, 2020 to taxes administered or collected by SUNAT***

  a) Default Interest Rate

  For debts in national currency, the Default Interest Rate has been reduced to 1% per month (formerly, 1.2%) and for debts in foreign currency, the Default Interest Rate has been set at 0.50% per month (formerly, 0.60%).

  b) Refund Interest Rate.

  For tax refunds in national currency arising from an undue or an overpayment of tax, the applicable Interest Rate has been reduced to 0.42% per month (formerly, 0.5%). In the case of unperformed VAT withholdings and perceptions, however, the provisions of R.S No. 296-2011/SUNAT will remain applicable (i.e. 1% Default Interest Rate per month).

  As for tax refunds in foreign currency, the applicable Interest Rate has been reduced to 0.25% per month (formerly, 0.30%).

- ***Zero tariffs for imports of goods related to health emergency***

  The tariff duty rate for the importation of health emergency goods has been removed.

- ***Law No. 31011 – Delegation of legislative powers in favor of the Executive***

  The Executive Power was granted a 45 calendar-day term to legislate on several tax measures and fiscal policies. Nonetheless, as of the date hereof, such period has expired.

26.2. Financial measures

- ***Multiple Office No. 11150-2020-SBS - Prudential measures related to the state of national emergency***

  The Peruvian Superintendency of Banking, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondo de Pensiones* or "SBS") extended faculties to the entities of the financial system ("ESF") in order to allow them to take exceptional measures to ensure that debtors can comply with the payment of retail and non-retail credits.

  Subject to the analysis of particular cases and its impact on the debtors' portfolio, these measures include modifying the contractual conditions of the various types of credits (without said modification constituting a refinancing), to the extent that the total term of said credits does not extend for more than six (6) months from the original term. As of the date of the declaration of emergency (March 16, 2020), the debtors should have been up to date with their payments.

  In case the debtor fails to comply with the payment after such modifications, it will be considered a default, and alternatives shall be evaluated such as refinancing, in accordance with applicable regulations.

- ***SMV Resolution No. 033-2020-SMV/02 – Extension of applicable deadlines for reporting obligations***

  The following provisions are applicable to issuers with securities registered in the Public Registry of the Securities Market (PRSM) managed by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores* or "SMV"), legal entities registered in the PRSM and Collective Funds Management Companies as well as the trusts they administer:

a) The deadline regarding the presentation of financial information and annual reports for the 2019 financial year has been extended until June 30, 2020.

b) The deadline for the presentation of intermediate financial information as of March 31, 2020 has been extended until July 31, 2020.

c) The deadline for the presentation of risk classification reports based on audited financial information from the 2019 financial year has been extended until August 31, 2020.

d) The deadline for the presentation of the Economic Group has been extended until September 30, 2020.

e) Required reports and information to be submitted through the MVNet System.

f) As of March 21, 2020, terms for procedures at the Superintendence of the Securities Market (SMV), including the ones that are regulated by special laws and provisions and those who were pending at the moment of the entry into force of the Decree (March 22, 2020), are suspended for thirty (30) days.

g) The deadlines regarding the presentation of other information will be suspended for the duration of the National State of Emergency.

- ***Urgency Decree No. 029-2020, as amended from time to time (currently regulated by Ministry Resolution No. 150-2020-EF/15) – Support Fund for MYPEs***

The Micro and Small Enterprises (also known as "MYPE") Support Fund (FAE-MYPE) has been created in order to secure loans for working capital granted to the MYPE.

Purpose: The Fund aims to promote the financing of the MYPE affected by the adverse international and local context, resulting from the spread of COVID-19 in the national territory. The FAE-MYPE has a term of five (5) years from the execution of the respective Trust Agreement.

Resources: The FAE-MYPE has resources of up to S/ 800,000,000, which are intended to guarantee the Guaranteed Credits granted to the MYPE. Resources are transferred, as appropriate, by COFIDE upon instruction from the General Directorate of the Public Treasury and the Peruvian National Bank (*Banco de la Nacion*), to the account opened by the latter for such purpose in any entity of the National Financial System.

Eligibility: To be eligible for the guaranteed financing from COFIDE under the FAE-MYPE, the Financial System Companies (also known as "ESF") or COOPAC must prove to COFIDE that:

a) They are not under any intervention, dissolution and liquidation regime or financial reorganization plan.

b) They are not a counterpart of COFIDE or the MEF in a judicial or administrative proceeding, nor have they filed a claim or complaint against the Trustee or have any administrative or arbitration action pending against the Trustee.

c) Their risk rating is equal to or higher than C. In the case of COOPAC, COFIDE performs the credit evaluation and grants an equivalent credit rating.

d) In case the ESF has a risk rating equal to or higher than C-, it may access the facilities of the FAE-MYPE to the extent that it establishes a guarantee trust in favor of COFIDE, consisting of a credit portfolio that, as of February 29, 2020, has a "Normal" or "CPP" risk rating, in a proportion of no less than 15% of the credit portfolio originated with the guarantee.

e) In case of COOPAC and other ESFs that do not have a risk rating, COFIDE performs the credit assessment and grants an equivalent credit rating.

Eligibility for FAE-MYPE beneficiaries: MYPEs that develop production, tourism, trade and related service activities are eligible as beneficiaries of the FAE-MYPE, provided they:

a) Obtain loans for working capital as of the effective date of this Decree, according to the parameters established by the Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) for loans to micro and small enterprises; or
b) Have a current loan and are classified by the SBS Risk Central in the "Normal" or "Potentially Troubled" (CPP) categories as of February 2020 and require rescheduling or refinancing as of March 21, 2020.

MYPEs are not eligible as beneficiaries if, among others, they have guaranteed credits within the REACTIVA PERU Program.

Use of the Secured Credit: the Secured Credit is aimed at loans for working capital obtained since the entry into force of D.U. No. 029-2020, according to the parameters established by the SBS for loans to the MYPE.

The resources committed to the FAE-MYPE for operations agreed prior to the effectiveness of Urgency Decree No. 049-2020, maintain the originally agreed conditions.

The MYPE that as of February 29, 2020 had a Normal or CPP credit risk classification, may access rescheduling (variation in the payment term) and/or refinancing (variations in the term and/or amount of the original contract due to difficulties in the debtor's payment capacity) of the current portfolio, as well as new loans for working capital.

Furthermore, credits granted to the MYPE may be rescheduled or refinanced, provided that they have been applied within business activities related to production, tourism, trade or related services.

Term of the Secured Credit: The term of working capital loans cannot exceed thirty-six (36) months.

ESF and COOPAC are authorized to include, within the periods indicated in the preceding paragraph, a grace period of up to twelve (12) months.

Guarantee: The Maximum Exposure Amount (MME) represents the maximum amount up to which the FAE-MYPE can grant guarantees, which cannot exceed five (5) times the available balance of the fund. It is determined by the Trustee based on COFIDE's available limit for its intermediation operations.

The FAE-MYPE grants the Guarantee in the same currency of the Secured Credit, either in Soles or foreign currency (U.S. Dollars). The guarantee granted by virtue of the Guarantee Certificate is irrevocable and unconditional, except for failure to pay the fixed fee. The Fiduciary cannot reduce the amount of the coverage or increase the cost of the commissions.

COFIDE establishes in favor of each ESF or COOPAC, a FAE-MYPE financing line from which they can request disbursements. The FAE-MYPE is considered by the ESF or COOPAC for purposes of SBS rules as credit counterparty risk, provisioning and risk-weighted assets.

Limits to the FAE-MYPE Guarantee: This guarantee is granted through COFIDE to companies in the financial system and COOPAC, and is applied according to the following coverage:

a) Up to S/10,000 with a 98% portfolio coverage per debtor.
b) From S/10,001 to S/30,000 with a 90% portfolio coverage per debtor.

The guarantee is activated after ninety (90) calendar days of delay in the credits granted and payment thereof is made after thirty (30) calendar days.

Term: The aforementioned Urgency Decree is effective until December 31, 2020.

- ***Law No. 31011 - Promotion of public investment and economic reactivation***

  The Peruvian Government intends to accelerate and optimize the execution of public investments by simplifying the procedures in order to avoid administrative costs and reducing the incentives to extend procedure terms. In addition, it intends to give provisions such as extensions of licenses with temporal validity, continuity of the virtual evaluation of administrative procedures, alternatives of citizen participation, among others.

  Also, appropriate measures might be implemented in order to optimize the capability of investment of Local and Regional Governments, which represent two thirds (⅔) of the public investment.

- ***Circular No. 0010-2020-BCRP and Circular No. 0011-2020-BCRP – Measures on legal reserves***

  At its meeting on March 26, 2020, the Board of Directors of the Central Reserve Bank of Peru ("BCRP") approved new measures to maintain the payment and credit chains. On one hand, reserve requirements in local and foreign currency have been relaxed as of April, releasing the equivalent of S/2 billion. These measures include a reduction in the minimum legal reserve in Peruvian Soles from 5 to 4%; a reduction in the minimum current account requirement in Peruvian Soles from 1.0 to 0.75% of deposits subject to reserve requirements; a reduction in the reserve requirement for foreign-currency obligations with average terms of two years or less with foreign financial institutions from 50 to 9%; and the suspension for the remainder of 2020 of the additional reserve requirements associated with foreign-currency loans.

  In addition, the Board of Directors of the BCRP approved a new instrument to provide liquidity to companies, which consists of repo operations of new credit portfolios that have a state guarantee. This measure will support the replacement of companies' working capital and ensure the functioning of the payment chain.

- ***Circular No. 0014-2020-BCRP – Provisions related to reporting operations of credit portfolios represented by securities***

  Purpose: The Board of Directors of the BCRP has resolved to include negotiable invoices within the list of securities representing credit rights accepted in Credit Repurchase Agreements represented in Securities, and to provide more flexible requirements regarding the Reporting Operations (hereinafter, "Operations") carried out through the alternative scheme.

  Description of Operations: In Reporting Operations of Credit Portfolios represented in Securities (Operations) the participating entities (PE) sell loan portfolios represented in securities to the BCRP, receive national currency (amount of the sale) and are obliged, in the same act, to repurchase these portfolios at a later date, against payment of national currency (amount of the repurchase).

  The BCRP shall carry out said Operations through auctions or direct Operations, charging an interest rate in national currency that shall be equal to the rate offered by each PE in auctions or the rate set by the BCRP in direct Operations.

  Schemes: The PEs may carry out the Operations through the general scheme or the alternative scheme, foreseen in the circular letter. Specifically and due to the flexibility of requirements, in the alternative scheme, (i) the PE shall have a minimum rating of B+, granted by at least two risk rating companies; (ii) credits in national currency shall individually have a main balance pending payment equal or higher than S/300,000; and (iii) the PE may register credits once the results of the auctions or direct purchase are known and up to the time indicated in the respective call.

Auctions: To be able to participate in the auctions or direct operations carried out by the BCRP, the PEs must have celebrated the Loan Portfolio Reporting Operations Framework Contract with the BCRP, for which, among other requirements, they must present the Monetary Operations and Financial Stability Management with a certified copy of the deed in which the powers that authorize their legal representatives to subscribe said contract are stated. Each time they agree with the BCRP on a specific Operation, they must sign the Specific Contract that corresponds to the chosen scheme. The PEs may request from the BCRP the exemption from the formal requirements for the execution of framework and specific contracts for the Operations during exceptional situations, which shall be accredited by means of private documents, with the charge of their subsequent regularization.

- ***Legislative Decree No. 1455 – Creation of the "REACTIVA PERÚ" program to ensure continuity in the chain of payments to face the impact of COVID-19 (regulated by Ministry Resolution No. 134-2020-EF/15)***

  Purpose: The purpose of this program is to promote the financing of the replacement of working capital funds of companies facing short-term payments and obligations to their workers and suppliers of goods and services, in order to ensure continuity in the chain of payments in the national economy.

  Resources: The Ministry of Economy and Finance through the General Directorate of the Public Treasury, during Fiscal Year 2020, will grant the National Government guarantee to the credit portfolios that meet the conditions and requirements to access the REACTIVA PERU Program, for an amount of up to S/30,000,000,000. The total amount of credits guaranteed per debtor company does not exceed S/10,000,000. The Corporación Financiera de Desarrollo S.A. - COFIDE will be in charge of the administration of the Program.

  Guarantees: The guarantee is channeled through two mechanisms: (i) Guarantees to credit portfolios that are implemented through a trust, and (ii) Individual guarantees that are implemented through a trust commission or other instrument of similar nature. Credits under S/ 10,000 must be exclusively channeled through the trust mechanism.

  Coverage: The guarantee covers an amount that is equal to three (3) times the company's annual contribution to EsSalud in 2019 or to one (01) month of average monthly sales in 2019, according to the records of the Peruvian Tax Authority (SUNAT). In the case of micro-enterprises, for determining the limit of the guarantee, only the criterion of the amount of average monthly sales is considered. The individual guarantee is granted with a loan of up to S/ 10,000,000, apart from the derived interests from its use in BCRP operations.

  Loans: The loans covered with the guarantee must comply with certain requisites. Indeed, they have to be new credits and derive from contracts or documents executed from April 13, 2020, onwards. These loans should only finance working capital funds.

  Loans should have a total amount that does not exceed S/ 10,000,000 and be denominated in national currency (Soles). As well, the term for loans must not exceed thirty-six (36) months, including a twelve-month (12) period of grace. When this period ends, the loans are paid in equal monthly installments. The credit interest rate reflects the cost of funding and the margin of the Financial Entity.

  Eligibility: The debtor company must not have tax debts administered by SUNAT, which are due in coactive collection, greater than 1 UIT as of February 29, 2020. Likewise, 90% or more of such companies' operations must be classified in the Financial System as "Normal" or "With Potential Problems" (CPP) as of February 2020. Companies linked to the FSCs, as well as those included in the Law that ensures the immediate payment of civil

reparations in favor of the Peruvian State in cases of corruption and related crimes, are not eligible as beneficiaries. Moreover, the debtor company should qualify as creditworthy.

Term: The "*REACTIVA PERÚ*" Program has a duration of four (4) years counted from the conclusion/subscription of the agreement between COFIDE and the Financial Entity.

- ***Circular No. 0016-2020-BCRP –Reporting operations of securities in exchange for national currency***

  Description of Operations: In Reporting Operations of Securities in Exchange for Local Currency (Operations), the participating entities (PE) sell securities to the Peruvian Central Reserve Bank (BCRP), receive local currency (amount of the sale) and are obliged, in the same act, to repurchase these securities at a later date, against payment of local currency (amount of the repurchase).

  The BCRP shall carry out said Operations through auctions or direct Operations, charging an interest rate in national currency that shall be equal to the rate offered by each PE in auctions or the rate set by the BCRP in direct Operations. Furthermore, the BCRP reserves the right to reject the proposals presented in auctions or Direct Operations, without expressing a cause.

  Schemes: PEs may carry out the Operations through the regular scheme or the special scheme, provided for in the circular. The regular scheme aims to alleviate the liquidity needs of PEs in national currency.

  In the special scheme, transactions include a direct placement issuance of CDR BCRP by the BCRP to the PE, at a price that will be announced by the BCRP and with a maturity date equal to that of the Operation. The BCRP CDRs so issued shall be used by the PE as the securities to be delivered in the Operation. Interest on the Operation will be charged at maturity. Furthermore, the Operations carried out under this scheme shall not be subject to the valuation of the securities and margins (percentage cut) by the BCRP.

  Auctions: To be able to participate in the auctions or direct Operations carried out by the BCRP, the PEs must have executed with the latter a Framework Agreement for Reporting Operations, for which, among other requirements, they must submit before the Monetary Operations and Financial Stability management a certified copy of the deed that contains the powers that authorize their legal representatives to subscribe said contract.

- ***Circular N° 0017-2020-BCRP - Reporting Operations of Credits with National Government Guarantees Represented in Securities***

  Description of Operations: In Reporting Operations of Credits with National Government Guarantees Represented in Securities (Operations), the participating entities (EP) sell securities representing credits guaranteed by the National Government to the Peruvian Central Reserve Bank (BCRP), receive national currency (amount of the sale) and are obliged, in the same act, to repurchase such securities at a later date, against payment of national currency (amount of the repurchase).

  The securities representing credits guaranteed by the National Government may take the form of a portfolio of securities representing credits or Certificates of Participation in a trust portfolio of credits guaranteed by the National Government.

  The BCRP shall carry out the Operations through auctions or direct Operations, charging a fixed interest rate in national currency that will be established by the Bank itself. Furthermore, the BCRP reserves the right to reject the proposals presented in auctions or Direct Operations, without expressing a cause.

Schemes: The PEs may carry out the Operations through the regular scheme or the special scheme, foreseen in the circular. In the regular scheme, the BCRP temporarily purchases loan portfolios with National Government guarantees granted by PEs.

In the special scheme, BCRP temporarily purchases Certificates of Participation with Guarantees that are issued with a charge to securitization trusts on credit rights arising from Credits with National Government Guarantee granted by the PE.

Auctions: To be able to participate in auctions or direct operations carried out by the BCRP, the PEs must have entered into the Framework Agreement for Loan Portfolio Reporting Operations represented by Securities with the BCRP.

- ***Urgency Decree No. 040-2020 - Extraordinary Measures for Factoring Companies Supervised and/or Registered under the SBS***

Purpose: To establish measures aimed at promoting the financing of micro, small and medium enterprises (MSMEs) that have been economically affected by the spread of COVID-19 in the country, through factoring companies included and not included within the scope of the General Law of the Financial and Insurance Systems and Organic Law of the SBS (Factoring Companies). For such purposes, Factoring Companies may access operations within the framework of the CRECER Fund, through two modalities: (i) coverage for factoring operations or discounts on credit instruments granted by the CRECER Fund, and, (ii) access to CRECER Fund credits.

The criteria employed in order to access operations under the CRECER Fund include being under the supervision and/or registration of the SBS and not having general impediments (i.e. intervention regime, no pending legal action with COFIDE or shareholders on any money laundering or terrorism financing lists).

FONDO CRECER coverage: Eligibility requirements for Factoring Companies applying for the CRECER Fund coverage are to have duly submitted their 2019 financial information before the SBS, and to have negotiated negotiable invoices between March 2019 and February 2020.

Similarly, the coverage granted with CRECER Fund resources takes into account, among others, the following criteria (i) the due date of the negotiable invoices (bills) must be on March 13, 2020 or later; (iii) the invoices must have been issued by micro, small and medium-sized enterprises with sales not exceeding 23,000 UIT during the year 2019; and (iv) the percentage of coverage for each factoring or discount operation is ninety percent (90%) of the amount financed.

Lines of credit with resources from the CRECER Fund: Eligibility requirements for factoring companies applying for credit lines granted with CRECER Fund resources are to have submitted financial information of the last two (2) years before the SBS, to have negotiated negotiable invoices between March 2018 and February 2020, and to have a capital stock of no less than 150 UIT (approximately, US$185,295).

Similarly, the credit lines granted with CRECER Fund resources take into account the following criteria (i) the loans are subordinated debt; (ii) the funds are used exclusively to finance factoring operations or discounts on MSMEs' credit instruments with sales no greater than 23,000 UIT (approximately US$2,842,000) during the year 2019; and (iii) the amount of the credit line per factoring company is for up to 200% of its capital share.

Term: The resources of the CRECER Fund, for the purposes of the aforementioned Emergency Decree, are used until December 31, 2020.

- ***Urgency Decree No. 049-2020 - Supplementary measures for FAE-MYPE (Support Fund for MYPEs created by Urgency Decree No. 029-2020)***

  Purpose: To establish extraordinary measures aimed at strengthening the management of the FAE-MYPE, through the allocation of new resources, stipulating that the use of the credits shall be exclusively for working capital and establishing new limits of individual guarantee, in order to continue implementing measures that allow granting MYPEs with the necessary financing for their working capital.

  Resources: Corporación Financiera de Desarrollo S.A. - COFIDE, as trustee of the CRECER Fund, shall transfer up to S/. 500,000,000 to the FAE-MYPE, following instructions from the MEF and Banco de la Nación.

  Guaranteed Credits: The resources committed to the FAE-MYPE for operations agreed prior to the effectiveness of this Urgency Decree, maintain the originally agreed conditions.

  Term: The aforementioned Urgency Decree is effective until December 31, 2020.

- ***SBS Resolution No. 1354-2020 – Measures that assist in the execution of transactions***

  Purpose: To establish measures that assist in the execution of transactions that must be carried out by people, among others, for the disposition and use of funds, which are granted or released by laws and other regulations issued in the context of the National State Emergency.

  In that regard, until December 31, 2020, electronic money issuers may use immediate disposal deposits in multiple transaction companies classified in the A+ category as an alternative form of guarantee for the value of the electronic money they issue. Therefore, until said date, issuers are authorized to use other guarantees that are also liquid, apart from the guarantee trust (which could be a more costly and operationally complete mechanism).

  Term: The above will apply to electronic money issued until 31 December 2020. Likewise, the referred resolution entered into force on Sunday, May 10, 2020.

- ***Legislative Decree No. 1508 – Measures that allow Financial System Companies to increase their capacity to face higher demand scenarios for liquidity***

  This legislative decree creates the National Government's Guarantee Program for the Credit Portfolio of Financial System Companies (ESF).

  Creation of the Program: Its objective is to guarantee the credit portfolio of companies in the financial system, in order to provide extraordinary liquidity to the ESFs, which may only use the National Government Guarantee under the Program to carry out credit portfolio reporting operations with the Central Reserve Bank of Peru (BCRP), either directly or through the creation of a trust.

  Program Administration: The Ministry of Economy and Finance entrusts the administration of the Program to COFIDE.

  Resources: The Ministry of Economy and Finance, through the General Directorate of the Public Treasury, is authorized to grant the National Government Guarantee to cover the loan portfolio of the companies of the financial system that are eligible under this

Legislative Decree, for the amount of S/ 7,000,000,000.00. The MEF may extend the amount of this guarantee up to an additional 20%, if necessary, after evaluation.

The National Government's Guarantee: It is channeled through the following mechanisms: (a) through a trust; and, (b) through a trust commission or other instrument of similar nature.

The guarantee granted only serves as a backup, as long as it is used exclusively in BCRP operations. The guarantee assigned by the National Government does not exceed eighty percent (80%) of the transferred portfolio under the Program.

Participating companies: The companies of the financial system that are included in this Program are the multiple operation companies (Banking Company, Financial Company, Municipal entities, EDPYME, Savings and Loan Cooperatives authorized to capture deposits from the public, among others).

The eligibility of participating entities is established based on liquidity criteria and the maximum amount of the eligible portfolio, according to the effective equity. If the participating entity has agreed to distribute the profits generated in fiscal year 2019, the amount of this distribution is discounted from the maximum amount of the guaranteed portfolio to which the participating entity may have access under the Program, according to the limits established in the Operating Regulations.

Eligible Portfolio: The portfolio of corporate loans, to large and medium enterprises, consumer loans and loans to small and micro enterprises, according to the definitions contained in the SBS regulations. This portfolio corresponds to loans granted to individuals and legal entities, in local and foreign currency, provided that as of February 29, 2020, they have had a "Normal" or "Potential Problems" risk rating with the Program participant.

Securitization: COFIDE is authorized to act as the securitization company for the Trust operations under the Program.

Term, validity and settlement: The deadline for participating entities to access the Program is December 31, 2022. The participating entity accessing the Program undertakes to repurchase the transferred portfolio until December 31, 2024.

- ***Legislative Decree No. 1485 – Extension of the maximum amount authorized for the granting of the National Government Guarantee to the credits of the "REACTIVA PERU" Program***

Purpose: To increase the maximum authorized amount for the granting of the National Government's guarantee to the credits of the "REACTIVA PERU" Program, in order to continue implementing timely and effective measures to guarantee the financing of the replacement of working capital funds of companies that face short-term payments and obligations with their workers and suppliers of goods and services, and to ensure continuity in the chain of payments in the national economy.

Extension: The maximum amount authorized for the granting of the National Government guarantee to the credits of the "REACTIVA PERU" Program, amounts to an additional S/30,000,000,000.00 (*S/60,000,000,000.00 in total*)

Such additional amount shall be subject to the same limits, conditions and other provisions established by Legislative Decree No. 1455 (as amended) and its regulations, as well as Legislative Decree No. 1437 – Legislative Decree of the National Public Debt System, as applicable.

- ***SBS Resolution No. 1356-2020 – Extension of the suspension of administrative time limits related to the functions and powers of the SBS***

  The SBS extended until, and including, May 24, 2020 the suspension of the computation of administrative terms related to its functions and attributions.

  During this extension, the measures, complementary instructions and exceptions applicable to the systems supervised by the SBS, established by multiple offices, remain in force.

  Furthermore, the suspension of the computation of terms established for complying with provisions issued by the SBS was also extended until, and including, May 24, 2020, with the exception of those referred to provisions with respect to which the SBS would have expressly required compliance thereof.

- ***SBS Resolution No. 1357-2020 - Extension of the term for protesting securities***

  The deadline for protesting securities held by entities subject to the control of the SBS, whose debtors are domiciled in the territory of the Republic of Peru, or whose protest was to be carried out in such territory, is extended until June 30, 2020.

  Such extraordinary measure is applicable to all securities that, as of March 11, 2020, had a valid period to be protested and that, due to the state of emergency, could not be protested within the terms established in the Securities Law.

- ***Legislative Decree 1511 – Creation of the Accelerated Procedure for Bankruptcy Refinancing ("PARC")***

  Purpose: To create the Accelerated Procedure for Bankruptcy Refinancing which, in view of the impact of the COVID-19, allows legal entities that constitute micro, small, medium and large companies (Qualified Entities) to enter into the Business Refinancing Plan with their creditors in order to protect the company.

  Scope of Application: Any Qualified Entity, according to the provisions of the General Law of the Bankruptcy System, including associations. Individuals, whether they carry out business activities or not, are not included within the scope of this new procedure; as well as entities or trusts that are excluded according to the General Law of the Bankruptcy System.

  Competent Authority: The Commission of Bankruptcy Procedures and the Commissions of the Regional Offices of INDECOPI will be competent in the first instance. In the second instance, the Specialized Chamber in Bankruptcy Proceedings of the INDECOPI Court is competent to resolve the appeals.

  Reception Period: Qualified Entities may apply for the PARC until December 31, 2020.

  PARC Procedure: The PARC is processed exclusively as an electronic procedure. The Qualified Entity submits an application through an online system enabled by INDECOPI. Once the resolution admitting the Qualified Entity to the PARC has been signed or consented to, the notice of commencement of the PARC is published in the Bankruptcy Bulletin, and the provisions on the suspension of the enforceability of obligations and the framework of legal protection of assets until the approval or disapproval of the Business Refinancing Plan (PRE) are applicable as from said publication.

  The effect of the aforementioned publication is that any application for the commencement of ordinary bankruptcy proceedings filed by one or more creditors after the filing of the

PARC application by the Qualified Entity is declared inadmissible. If the request to initiate ordinary bankruptcy proceedings at the request of one or more creditors was filed before PARC's request to initiate the proceedings and the publication has not been made, these proceedings are suspended in order to give PARC preferential treatment and, if PARC's request to initiate the proceedings is admitted, the conclusion of the proceedings is declared without any pronouncement on the merits.

Once the beginning of PARC is published in the Bankruptcy Bulletin, the creditors of the Qualified Entity may file their requests for recognition of credits.

PARC's Creditor Committee: It is carried out online and is recorded electronically. The sole agenda of the Creditor Committee is focused on deciding on the approval or disapproval of the Business Refinancing Plan.

The Creditor Committee does not replace the Qualified Entity's Shareholders, Partners or equivalent, who remain in office during the PARC.

26.3. Social Measures

- ***Employment***
  - **Supreme Decree No. 044-2020-PCM:** On March 16, the Peruvian Government declared a National State of Emergency, and thus restrictions to transit were imposed for a 15-day term. Under the National State of Emergency, individuals are not allowed to freely transit and business activities are locked down. Only certain activities are allowed to operate: essential supply chains, medical attendance, finance and banks, oil and gas industry, accommodations, media industry, call centers for urgent matters, among other essential services.
  - **Urgency Decree No. 026-2020:** Employers from public and private industries are obliged to implement remote work (home office) or – if not possible – to grant paid leave during the National State of Emergency period.
  - **Urgency Decree No. 038-2020:** The Peruvian Government proposed alternative measures to be implemented by employers in the event that remote work is not feasible or that their economic situation might be affected by granting paid leave. For such cases, the employer is allowed to (i) agreed alternative measures such as granting vacation leave, salary reduction, unpaid leave and any other measure agreed between parties or (ii) notice a suspension of the labor relationship for up to 90 days due to the existence of a strong financial crisis. Such measures are applicable to employees until July 9.

    Economic benefits for employers: Employers are allowed to postpone the payment of the CTS deposit that corresponds to May, 2020 until November, 2020.

    Economic benefits for employees: Employees affected by the suspension of their labor relationship are entitled to receive (i) release CTS deposits for up to 1 monthly salary by each month of suspension, (ii) release of savings kept in Private Pension Fund for up to S/ 2,000, (iii) employee will be covered by the Health Insurance Cover – EsSalud – during the suspension length. In addition, employees that were not affected by suspension decisions, but who nonetheless lost their jobs, are entitled to release of savings kept in Private Pension Fund for up to S/ 2,000.

    Employees from MYPEs (micro and small-size companies) affected by the suspension of their labor relationships, are entitled to obtain an outstanding allowance of up to S/ 760 for each month under suspension decision.
  - **Supreme Decree No. 072-2020-PCM:** The Peruvian Government included additional activities that should be considered as essential services and able to operate during the National State of Emergency. These activities are related to the distribution and

transport of educational materials, storage, transport, preparation and/or distribution of food for national food assistance programs, acquisition, transport and distribution of inputs for the maintenance of infrastructure and minor equipment (hygiene kits) for the prevention of COVID-19, at the appropriate educational levels. In addition, the operation of accommodation establishments' activities is allowed, in order to comply with the curfew or for the accommodation of workers that provide other essential services and goods.

- **Supreme Decree N° 011-2020-TR:** The Peruvian Government proposed complementary terms and conditions that should provide a better understating of Urgency Decree N° 038-2020; mainly regarding the values that employers must evidence if they intend to apply a suspension of their labor relationships.

  The procedure that should be followed to obtain labor relationship suspension involves: (i) notifying affected employees with the suspension decision, (ii) notifying the Labour and Employment Authority within 24 hours following notification to the employees, (iii) file evidence and documents in order to justify the suspension decision executed by the employer. All workers that implement remote work must be registered as teleworkers in the "Electronic Workers Payroll".

  The Labour and Employment Authority is allowed to verify the existence of valid causes to sustain the suspension decision made by the employer.

- **Legislative Decree No. 1468**: In the context of the Health Emergency declared due to COVID-19, the Peruvian Government established provisions for the prevention and protection of individuals with disabilities. For employment purposes, this regulation provides priority access to remote work or the granting of compensable paid leave (after the health emergency has ended and without affecting their health or required care) for workers with disabilities.

  Additionally, these protective measures are extended to the relatives of individuals with disabilities, who are considered their caregivers, as long as: (i) they have a relationship of up to the fourth degree of consanguinity or second degree of affinity; (ii) they can certify having a person with disability under their care who has been diagnosed with COVID-19 or who belongs to the Group of Risk due to age and clinical factors.

- **Ministry Resolution No. 239-2020-MINSA:** The Peruvian Ministry of Health approved the Technical Document: "Guidelines for health surveillance of workers at risk of exposure to COVID-19", which establishes health safety measures to prevent the spread of COVID-19 upon the gradual return to normal work in companies. It dictates the following obligations for employers:

  - Obligation to classify workplaces according to 4 levels of exposure to COVID-19 (according to the type of activities they carry out): low, medium, high and very high exposure.

  - Obligation to draw up a "Plan for the monitoring, prevention and control of COVID-19 in the workplace", which must:

    i. Respect a minimum content (number of workers, exposure per job, characteristics of the surveillance, prevention and control, among others);

    ii. Contain the following basic guidelines: (1) execute cleaning and disinfection procedures, (2) provide health assessments to employees, prior to their return to the work center, (3) determine the existence of employees under the risk group, (4) provide hygiene utilities, (5) hire a nursery and medical service

(based on the number of employees), (6) execute employee temperature control and provide complementary monitoring measures;

iii. Be submitted to, and approved by, the company's occupational safety and health committee; and

iv. Be registered with the Ministry of Health.

- Obligation to have an Occupational Safety and Health Service that includes the employer, nursing personnel with training in occupational health, and specialized medical personnel, depending on (i) the number of work centers, (ii) the risk of the activities, and (iii) the number of workers.

- **Supreme Decree No. 080-2020-PCM**: The Peruvian Government approved a progressive plan to resume certain activities. Among the initial phase activities, intended to begin this month of May, are mining and industry, construction, tourism and restaurant services, and commerce.

  For such purposes, companies that are included in said plan must take into account the Guidelines for the Health Surveillance of Workers at Risk of Exposure to COVID-19 and the Health and Safety Guidelines of their economic sector.

  Compliance with health measures to prevent the spread of COVID-19 in the workplace is under the supervision and control of the health authorities, local governments and SUNAFIL.

- **Legislative Decree No. 1499**: The Peruvian Government established additional measures to guarantee and monitor the protection of workers' social and labour rights, amongst which the most relevant are the following:

  - Employers are allowed to use technology tools for submission, deliverance and storage of employment documents.

  - During the Health Emergency Status (ending June 9, 2020), the following measures will be applied in relation to occupational medical examinations:

    i. Pre-occupational medical examinations in qualified high-risk activities are required only if employees have not undergone an occupational medical examination in the last year by an authorized occupational medical center or service.

    ii. The performance of periodic occupational medical examinations is suspended and the validity of those that have expired or are about to expire during the Health Emergency Status are automatically extended.

  - Regarding the OSH training, mandatory training sessions must be conducted solely in the following scenarios:

    i. Upon hiring (initial training), whatever the modality or duration.

    ii. When there are changes in the functions, position or type of task or activity to be performed by the worker.

  - During the Health Emergency Status, the obligation to carry out audits of the Occupational Safety and Health Management System is suspended.

- The employer must pay the salary and social benefits of its workers - except those corresponding to remuneration paid in kind - through the entities of the financial system.

- **Ministry Resolution No. 283-2020-MINSA**: The Peruvian Ministry of Health established new definitions for employees who are part of Risk Groups. For instance, the age to be considered a member of a Risk Group has increased from 60 to 65 years.

  In addition, the list of Risk Group illnesses was specified for the purposes of returning to the workplace, limiting home curfew for workers who exhibit the following COVID-19 risk factors:

  - Age over 65 years.
  - Uncontrolled arterial hypertension.
  - Serious cardiovascular diseases.
  - Cancer.
  - Diabetes mellitus.
  - Moderate or severe asthma.
  - Chronic lung disease.
  - Chronic renal failure on hemodialysis.
  - Immunosuppressive disease or treatment.
  - Obesity with a BMI of 40 or more.

- **Superintendency Resolution No. 080-2020-SUNAFIL**: The National Superintendence of Labour Inspection (SUNAFIL) has extended the suspension of the computation of terms, regarding its own procedures. The extension, currently in force, applies as follows:

  - Inspection and administrative sanctioning procedures are suspended from May 7, 2020 to May 28, 2020
  - Administrative procedures subject to negative or positive silence are suspended from April 29, 2020 to May 21, 2020
  - Deadlines for the start and processing of administrative procedures and those of any other nature (procedures for access to public information, payment of fines in installments, coercive enforcement of SUNAFIL, among others) are suspended from May 7, 2020 to May 28, 2020

- ***Allowances***

  - **Urgency Decree No. 044-2020:** For a second consecutive time, a special allowance of S/ 380 has been authorized in favor of the households in poverty or extreme poverty. The aforementioned allowance will be granted during the term of the National Sanitary Emergency by the Ministry of Development and Social Inclusion.

  - **Urgency Decree No. 038-2020:** Employees affected by the suspension of their labor relationships are entitled to receive (i) release CTS deposits for up to 1 monthly salary by each month of suspension, (ii) release of savings kept in Private Pension Fund for up to S/ 2,000, (iii) employee will be covered by the Heath Insurance Cover – EsSalud – during the suspension length. In addition, employees that were not affected by suspension decisions, but who nonetheless lost their jobs, are entitled to release of savings kept in Private Pension Fund for up to S/ 2,000.

  - **Urgency Decree No. 036-2020**: Independent consultants with dramatic financial situation are allowed to receive a subsidy of S/ 760.

- **Law N° 31017**: Private Pension System affiliates may withdraw up to 25% of the total accumulated funds in their individual capitalization account, considering a maximum withdrawal amount of 3 Tax Units[20] and a minimum withdrawal amount of 1 Tax Unit[21].

Other measures

- **Superintendency Resolution No. 077-2020/SUNAT:** The Peruvian Tax Administration – SUNAT has approved the creation of an Online Reception Desk (available through its official website, www.sunat.gob.pe), in order to facilitate the online submission of documents related to several proceedings, such as the following: (i) registration in SUNAT's Taxpayer Registry; (ii) refund requests regarding undue or overpaid taxes; (iii) VAT early recovery requests; and (iv) tax claims and appeals.
- **Superintendency Resolution No. 073-2020/SUNAT:** Flexible measures and new dates have been established for the designation of electronic invoice issuers. For instance, taxpayers who were designated as electronic issuers as from April 1, 2020, can now continue issuing physical invoices until August 31, 2020.
- **Superintendency Resolution No. 045-2020-SUNARP:** From May 25, 2020 onwards, the registration process of certain legal entities before the Lima and Callao Public Registry Offices shall be carried out through digital mechanisms. Moreover, said legal entities will be automatically assigned a Taxpayer ID Number (*RUC*), as well as a username and password to access SUNAT's Online Operations System (*Clave SOL*).
- **Supreme Decree No. 088-2020-EF:** The deadline for financial institutions to submit their 2018 and 2019 financial information before SUNAT has been extended to July 31, 2020.
- **Legislative Decree No. 1462:** The authorization period for which SUNAT may act as a Registry or Certifying Entity, while it completes the corresponding certification proceeding before INDECOPI, has been extended until December 31, 2021. This will allow SUNAT to keep issuing digital certificates to taxpayers with an annual net income of up to 300 Tax Units (approximately, US$ 390,900).

  Moreover, once SUNAT obtains the corresponding certification from INDECOPI, it may continue entering agreements with Certifying Entities for the Peruvian Government or with Private Certifying Entities, for the issuance or cancellation of digital certificates.
- **Legislative Decree No. 1457:** In order to mitigate the negative effects that the coronavirus pandemic is causing to the Peruvian economy, the application of fiscal rules for the Non-Financial Public Sector has been temporarily and exceptionally suspended for fiscal years 2020 and 2021.
- **Supreme Decree No. 044-2020-PCM:** Since March 16, 2020, international transport has been suspended with some exceptions for Peruvians abroad and foreigners in Peru, as well as flights coming from Europe and Asia, and flights from the national territory to the aforementioned destinations.
- **Law No. 31011 – Delegation of legislative powers in favor of the Executive Power**
  - **Protection of the productive, extractive and service sectors:** Provisions regarding the reactivation and promotion of, among others, the agriculture, irrigation, aquaculture and fishing sectors might be enacted (e.g. protection measures, new regulation, maintenance, etc.).
  - **Cultural and tourism promotion:** Special measures will also be established in order to strengthen the promotion of the exports of goods and services with added value, receptive and internal tourism and the attraction of business investments, as well as to reactivate the activities of service providers who have been affected. Additionally, free

[20] According to the Tax Unit value for fiscal year 2020, such amount is equivalent to S/ 12,900 (approximately, US$ 3,800).

[21] According to the Tax Unit value for fiscal year 2020, such amount is equivalent to S/ 4,300 (approximately, US$ 1,260).

competition will be optimized and normality in the continuous operation of the market and consumer rights will be guaranteed.

Finally, the entry into force of the Prior Control of Business Concentrations will be extended (initially on August 20, 2020) and corresponding changes will be made, if necessary. Regarding the insolvency system, the creation of a special transitory procedure is sought to deal efficiently, quickly and at low cost, with potential insolvency situations.

Useful Links:

- Peruvian Government's official website: https://www.gob.pe/
- Peruvian Ministry of Economy and Finance's official website: https://www.gob.pe/mef
- Peruvian National Tax Administration's official website: http://www.sunat.gob.pe/

For updated information please contact your Taxand team in Peru at www.garrigues.com/

27. POLAND *(UPDATED 21.05.20)*

On 31.03.2020 an act referred to as "Anti-crisis Shield" was published in the official Journal of Poland. Most of provisions provided by the act already entered into force as of 31.03.2020. The "Anti-Crisis Shield" is consequently updated through new amending laws i.e.

i. on 16.04.2020 amendment to "Anti-crisis Shield" was published, providing some additional solutions for business (so called "Anti-crisis Shield 2.0"),
ii. "Anti-crisis Shield 3.0" published on 15.05.2020

"Anti-crisis Shield 4.0" is expected soon to be discussed by Parliament.

The whole aid package ("Anti-crisis shield" Act, as well related acts and resolutions) address 5 main pillars including different areas of the economy. The value of the package is estimated at PLN 212 billion (€ 47.3 billion), i.e. almost 10% of the Polish GDP (c.a. PLN 60bln covered from the state budget, remaining amount covers providing additional liquidity to the market in the form e.g. state back guarantees from medium and large business, up to 80%).

Moreover, on 8.04.2020, Polish government announced a new "Financial Shield" aimed at providing additional liquidity for micro, SME's and large companies, which value amounts to 100 billion PLN. 50 billion PLN will dedicated to small and medium companies and per 25 billion will be dedicated for micro and large companies. The financial aid is provided by state institution – Polish Development Fund, the details of program vary depending on the size of the company and purpose of financing. The main instrument provided will be a subsidies / loans that could be redeemed to up to 75% of its value. At this stage, the programe for micro enterprises and SMEs was already approved by European Commission and is in operation. The programe for large companies still awaits EC's approval.

It should be noted that certain measures may be discussed from the perspective of state aid and a such my be subject to certain limitations.

27.1. Tax and legal measures resulting from Anti-Crisis Shiled cover in particular:

- **Deferral of yearly CIT for 2019 until 31.05.2020** – tax return plus payment of tax (standard term: 31.03.2020).
- Payment of yearly PIT for 2019 and submission of PIT return for 2019 until 31.05.2020 (instead of 31.04.2020) will not be subject to penalty interest or penalized under fiscal penal code.
- **Postponement until 1.06.2020 PIT advances for March and April 2020** due on salaries and social security payments for remitters who suffered negative economic consequences in connection with COVID-19 outbreak.
- Extension until **20.07.2020 of payment deadline of the so-called minimum tax for March – May 2020 (*special tax on commercial real estate*)** under condition that in those months the taxpayer:
    a) suffered negative consequences in connection with COVID-19 outbreak and
    b) recorded at least a 50% decrease in revenues compared to the corresponding month of the previous tax year or average revenues in a given year if it started operating in 2019.
- **Potential tax exemptions from the real estate tax** to entrepreneurs whose financial liquidity has worsened due to COVID-19 – to be introduced by local governments.
- **On request**
    - **exemption from 100%** social security contributions for 3 months starting 1.03.2020 for self-employed if their revenues were lower than c.a 15 k PLN, as well for companies that declared up to 9 persons as subject to social security contributions

- **exemption from 100%** social security contributions for 2 months starting 1.04.2020 for self-employed if their revenues were higher than c.a 15 k PLN, but their tax income was lower than 7 k PLN
- **exemption from 50%** of social security contributions for 3 months starting 1.03.2020 for companies that declared up to 10-49 persons as subject to social security contributions

- **No prolongation fee (currently 4%)** for applications for postponement / splitting into installments of tax payments or tax arrears or postponement / splitting into installments of liabilities resulting from social security contributions due for the period starting 01.01.2020.
- If certain conditions are met possibility to **one-off** deduction of **2020 tax loss, up to 5 m** PLN through adjustment of 2019.
- Certain tax benefits such as one-off depreciation of fixed / intangible assets or amended rules of R&D relief for tax payers incurring expanses aimed at countering COVID-19 effects.
- **SAF-T_VAT:** postponement to 1 July 2020.
- **Retail sales tax:** suspension to 31 December 2020.
- **New VAT rates matrix**: postponement to 1 July 2020.
- Postponement of the obligation to notify the actual ultimate beneficial owner to the UBO register for 3 months.
- **Suspension of the deadlines for DAC-6 reporting** running from March 31 to June 30, 2020.
- Extension of the deadline for submitting detailed TP from (TP-R) to September 30, 2020 as well as local and master file (till 31.12.2020)- for selected entities with so called shorten tax year.
- For Tax Capital Groups: condition of lack of tax arears as well as to maintain 2% profitability ratio are considered fulfilled if the Tax Capital Group's condition worsened due to CVOID-19 for the tax year commenced before 1.01.2020 and finished after 31.12.2019 or that commenced after 31.12.2019 but before 1.01.2021.
- One change to could be viewed as rather negative one, concerns applications for the individual tax rulings: **extension for 3 months of the deadline for issuing an individual tax ruling for applications submitted but not resolved before the entry into force of the law and also for the applications submitted after the entry into force of the law.**
- **Changes in regulations of Commercial Companies Code** enabling the possibility of making decisions by board of directors and supervisory board in remote mode.
- Postponement of deadline for preparation and approval of financial statement / consolidated financial statement by 3 months (or 2 months for entities subject to supervision of Polish Financial Supervisory).

27.2. Social (employees's) measures

- ***Co-financing of employees' salaries and other employess's issues***
  - The "Anti-Crisis Shield" provides for three possible paths to obtain additional financing for employees' salaries. Co-financing programe is dedicated for enterprises with qualified decrease in turnover.
    - co-financing under so-called downtime. Maximum co-financing: c.a 280 EUR + social security contributions / per FTE
    - co-financing of employees' salaries under so called "40:40:20" system. Maximum co-financing: up to c.a. 440 EUR + Social security contributions / per FTE

- subsidies from the Poviate Governor (*Starosta*). Maximum co-financing depends on the percentage of turnover dropdown.

Further conditions to use any of those paths apply. Financing /subsidy can be granted for 3 months.

- Extension of temporary residence permits for foreigners on the territory of the Republic of Poland.

27.3. Financial measures

- Low interest loans up to PLN 5,000 (€ 1,100) for micro-enterprises and also self-employed.
- Credit vacation" – upon request in case of consumption / mortgage credit
- Support for the self-employed and those working under civil law contracts up to 80% of the minimum wage. Support can be provided up to three times.
- Postponement of the deadline to pay perpetual usufruct fee from March 31th 2020 to June 30th 2020;.
- Certain additional solutions may be available for entertainment and tourism industries.
- Certain regulations to protect consumers were also introduced such as limiting of non-interest credit costs or providing possibility to establish maximum prices of certain goods or services that have a strategic meaning for healthcare in general.
- Very controversial: **effective rent reduction to nil for tenants, whose activities has been banned or restricted by regulations issued in relation to the state of epidemic threat or the state of epidemic (i.e. tenants in commercial areas such as shopping malls).**
- State backed guarantees up to 80% to secure medium and large enterprises credits as well as system of additional guarantees, loans and subsidies that can be provided by Polish State Development Bank.
- Refinancing of certain lease agreements in transport sector by Industrial Development Agency.
- The government assumes the creation of a **special fund of at least PLN 30 billion** (€ 6,6 billion) foreseen to strengthen the expenditures for public investments.

  The fund consists of national resources, independent from UE's support. Within the package is foreseen to finance investments in the area of construction of local roads, digitization, modernization of schools, energetic transformation, environment protection, alteration of different elements of state's architecture and infrastructure (energetic, telecommunication, internet, roads and railways).
- Solutions for companies executing public contracts are included in the package as well. As a priority, due to problems notified by entrepreneurs related to the absence of employees and continuity of supply chains, a suspension in the charging of contractual penalties was announced.

For updated information please contact your Taxand team in Poland at https://crido.pl/

28. PORTUGAL *(UPDATED 14.05.20)*

In light of the COVID-19 crisis, the Portuguese Government has adopted several measures covering tax and other financial areas.

28.1. Tax measures

The tax deferral measures are primarily intended to support small and medium-sized enterprises but their application to others depends on a demonstration of a reduction of activity or to specific sectors impacted by state of emergency closure measures.

- ***Installment payments applicable for VAT and CIT/PIT withholding taxes***

  The payment of VAT and CIT/PIT withholding taxes may be deferred and paid in instalments without the need of providing guarantees in the following terms:

  - payment in three monthly installments; or
  - payment in six monthly installments.

  This measure applies to companies and self-employed with a turnover lower than € 10 million in 2018, whose activities are closed under article 7 of the Decree n.º 2-A/2020 (State of Emergency Rule), or those whose activity was initiated during 2019.

  Companies not fulfilling the said requirements may also request the deferral rule in cases where there is at least a 20% decrease on the average invoicing (communicated via the electronic invoicing system) of the preceding three months of the tax obligation as compared to the same period of 2019. To apply for this, the company will need a certificate confirming the activity decrease issued either by Statutory Auditor (ROC) or Certified Accountant (TOC).

  The request to pay in installments is made electronically until the end of the voluntary payment period.

- ***Social Security contributions***

  There was a suspension of the payment date of the employees' contribution withheld by the employer and payable to the authorities on 20 of March. These contributions can be exceptionally paid by 31 of March.

  There is also the possibility to reduce to 1/3 any Social Security contributions due between March and May 2020 for companies, and April and June 2020 for self-employed. For the companies which already paid the Social Security contributions on 20 March may still defer the payment of the Social Security contributions due between April and June 2020.

  The remaining amount 2/3 should be payable under the same installment deferral rules set out above, i.e. payable between July and September 2020 or between July and December 2020, depending whether payable in three monthly installments or six monthly installments (free of interest).

  The deferral measures apply to: (i) self-employed; (ii) companies with less than 50 employees; (iii) Companies with 50-249 employees in cases where there is at least a 20% decrease on the average invoicing of the preceding three months (as from the payment obligation) as compared to the same period of 2019; (iv) Companies with more than 250 employees which have a at least a 20% decrease on the average invoicing (communicated via the electronic invoicing system) or whose activity was initiated less than 12 months and: (a) are Private Institutions of Social Solidarity (IPSS); or (b) are from the tourism sector, civil aviation sector and any other sector that is mandatory closed under article 7 of the Decree n.º 2-A/2020 (State of Emergency Rule); or (c) their activities are suspended under Decree-Law n.º 10-A/2020.

  The proof of decrease of activity is issued either by Statutory Auditor (ROC) or certified accountant (TOC).

The companies or self-employed that do not pay the 1/3 in the respective months cannot benefit from this deferral measure. In addition, companies that unduly benefit from the payment in installments will have to pay the total amount in June plus interest.

- ***Tax litigation and Ongoing Tax Procedures***

  Suspension until 30 of June 2020 of any ongoing tax and social security enforcement procedures currently in progress or expected to be initiated by the respective authorities. Other specific measures affecting the tax litigation area:

  - Judges should perform the procedural acts from their personal residences and should not schedule non-urgent proceedings until the end of April;
  - Judges of the administrative and tax courts under the exceptional regime period shall only carry out acts and procedural steps of a face-to-face nature in cases of an urgent nature in which rights, freedoms and guarantees are at stake, cancelling all others scheduled until that date;
  - Time limits for the performance of the procedural steps required to be taken in proceedings before tax courts, arbitration courts and tax enforcement agencies are suspended until the exceptional regime ends;
  - The rules concerning the suspension of statute of limitation and forfeiture periods, extends to all types of proceedings and procedures in the area of tax litigation; and
  - For face-to-face meetings with the tax authorities are subject to prior appointment.

- ***Other tax measures adopted on tax obligations***

  These additional measures reinforce earlier tax measures, which included:

  - **Postponement of the payment of the first CIT** "special payment on account" ("*pagamento especial por conta*") from March 31 to June 2020;
  - **Extension of the deadline** to submit the Corporate Income Tax return (*Modelo 22*) until 31 July;
  - **Extension of the payment** of the first CIT "payment on account" and "additional payment on account ("*pagamento por conta*") from 31 July[t] to 31 August;
  - **Extension of the payment of CIT and PIT withholding taxes** assessed in April and May 2020 and whose payment can be made until 25 May and 25 June 2020, respectively.
  - **Extension of the payment of Stamp Tax** assessed in April and May 2020 and whose payment can be made in 25 May and 25 June 2020, respectively.
  - **Extension of the deadline to submit the Company's Simplified Information (IES)/**annual statement to 7 August 2020;
  - **Extension of the deadline to prepare Tax File, as well as Transfer Pricing File** to 31 August 2020;
  - **Extension of VAT exemption** for donation of goods to the state, social security public institutions and non-profit non-governmental organizations for subsequent distribution to people in need, which now includes people who have received health care in the current pandemic context and are deemed as victims of catastrophe;
  - **Extension of the deadline to submit the VAT periodic return** of February from 10 to 17 April (with no penalties). The corresponding VAT can be payed until 20 April. This measure does not preclude the request to pay in installments of the VAT due between April and June.
  - **Extension of the deadline to submit the VAT periodic return** of: (i) March to 18 May 2020 and whose payment of the VAT assessed can be made until 25 May 2020; (ii) April which shall be filed until 18 June and the payment of the VAT assessed can be made until 25 June 2020; (iii) the

period of January and March, which can be filled until 22 May 2020 and paid until 25 May 2020. This measures does not preclude the request to pay in installments;

- **Submission of the VAT periodic return based on the data of the web-based invoice record ("e-Fatura") for certain VAT taxpayers:** (i) with a turnover lower than € 10 million (with reference to 2019); or (ii) that have started their activity on or after 1 January 2020; (iii) or that have restarted their activity on or after 1 January 2020 and had no turnover in 2019. This applies to the monthly VAT return of March 2020 and VAT return in respect of the period of January and March 2020. Any regularization shall be made through a submission of a replacement VAT return until 31st August 2020**;**
- **Exemption from VAT on intra-community supply and acquisition of goods referred in annex of the Law no. 13/2020, of 7 May.** This applies to acquisitions made by the State, other public bodies and non-profit organizations between 30 January and 31 July 2020;Application of reduced 6% VAT rate to imports, intra-community supply and acquisition of masks and disinfectant gel between 8 May and 31 December 2020.
- **Postponing of the deadlines** established for the mandatory adoption of the use of electronic invoices in public procurement and the adoption of the European electronic invoice model only in 2021;
- **Simplification procedures** for filing of VAT declarations until June and impediments and exceptional recognition of PDF invoices as "electronic invoices" in April, May and June for every legal effect;
- **Possible refund** of the amounts invested in retirement savings plans ("*Planos de Poupança Reforma*" or PPR) until 31 March 2020, without any tax penalties;
- **Additional deduction of donations granted by resident companies to public enterpresises (EPE)**, namely SPMS (*Serviços Partilhados do Ministério da Saúde*) and hospitals institutions integrated in the regional health public services.This applies to donation granted during the state of emergency which are deemed as a tax deductible cost for CIT purposes for 140% of the respective amount and exempt from Stamp Tax. This applies until 31 July 2020;
- **Extension of Monthly Stamp Tax Declaration ("DMIS")** that becomes only mandatory for facts as from 1 January 2021 onwards. Stamp Tax assessment and payment obligations referring to 2020 can still be fulfilled through the former procedures and with deferral for the first months;
- **Temporary exemption of Social Security contributions** for entities benefiting from the exceptional and temporary measures set for labor protection in the context of the Covid-19 pandemic. They are applicable to entities (i) whose activities are closed under Article 7 of the Decree 2-A/2020 (State of Emergency Rule), (ii) had to, totally or partially, stop their activities or (iii) when had, at least, a 40% decrease on invoicing in last 30 days before the submission of the request, with reference to the average invoicing of the preceding two months, as compared to the same period of 2019. To apply for this exemption in (ii) and (iii) situations, the company will need a certificate confirming the activity decrease issued either by Statutory Auditor (ROC) or certified accountant (TOC); and
- **Social security for cross-border workers as** the applicable Social security legislation would not be affected by the teleworking time spent in the Portuguese territory during period of Covid-19 exceptional measures for those workers who reside in Portugal and are subject to the EU/EEA or Switzerland social security legislation.

28.2. Financial measures

The Portuguese government announced it will open lines of credit with an overall amount of 3,000m EUR to highly affected economic sectors, namely to:

- food and beverage services on the amount of 600m EUR (of which 270m EUR are exclusive to Micro and Small Medium Enterprises ("MSMEs");

- tourism industry on the amount of 200m EUR (of which 75m EUR are exclusive to MSMEs;
- lodging sector on the amount of 900m EUR (of which 300m EUR are exclusive to MSMEs;
- industry sector on the amount of 1,300m EUR (of which 400m EUR are exclusive to MSMEs).

The existing credit lines are also available, namely: (i) an amount of 400m EUR to support treasury shortages of all eligible companies (of which 320m EUR for working capital and 80m EUR for treasury needs) with maximum threshold per company amounts to 1.5m EUR with a maturity of 4 years (per type of credit line); and (ii) an amount of 60m EUR to Micro companies of tourism sector established under Legislative Order n.º 4/2020.

In the field of start-ups, a €25M package was announced to support the entrepreneurship ecosystem: which includes the following programs: (i) start-up COVID-19 (financial support per worker); (ii) start-up voucher (3-month automatic prorogation); (iii) voucher to support start-up incubators; (iv) mezzanine funding for start-ups; (v) funding call by Portugal Ventures (investment); (vii) expansion of €200 million Fund (co-investment in SME); (viii) co-investment fund for social innovation. Further legislation expected.

A moratorium regime for loans was also put in place with exceptional measures for protecting families, companies and welfare institutions, in relation to the weight of their debt service obligations which will apply until September 30, 2020. Suspension of termination of rental contracts and rents moratorium in case of income loss is also available.

Several measures were also put in place in terms of access to EU funds. We highlight: (i) acceleration of payment of incentives within the framework of PT 2020 program; (ii) acceleration of payment of incentives within agricultural funds; (iii) moratorium on the amortization of reimbursable subsidies for 12 months for the obligations falling due until 30 September within the framework of PT 2020 program.

Useful links:

- Government of Portugal website: click here.
- List of legal measures In light of the COVID-19 crisis: click here.

For updated information please contact your Taxand team in Portugal at www.garrigues.com/

29. ROMANIA *(UPDATED 21.05.20)*

In the context of COVID-19 situation **a state of emergency was declared in Romania on 16 March 2020 for an initial period of 30 days. This was further on officially prolonged with 30 more days by presidential decree** (i.e. until 14 May 2020). Starting with **15 May 2020, a 30 days alert status was adopted at the level of Romania.**

The Romanian Government was enabled to adopt measures to support economic operators with business affected by the spread of COVID-19.

We present below some of the key measures taken in this respect.

29.1. Tax measures

- ***General tax measures***

The following two measures apply starting 21 March 2020 until 30 days after the state of emergency ends:

- **Non-application of late payment charges** - in case of tax obligations falling due starting 21 March 2020 and not paid until the time when the measures are terminated (as indicated above), **no late payment penalties and interest** established as per the Tax Procedure Code **are imposed or due**. Such amounts will not be considered as outstanding tax obligations during this period. Declaration of taxes will continue to be made within the general deadlines, applicable also before the enactment of these measures, namely by 25th of the following month.
- **Forced executions by garnishment in case of budgetary receivables are suspended/ will not be started**, except for the forced execution applicable for recovering budgetary receivables established by Court decisions issued in the criminal field. Suspension of the forced execution by garnishment aimed at amounts representing income and cash are applied, by virtue of law, by credit institutions or third party seized, without other formalities from the tax authorities.

Starting 16 April 2020, in case of rescheduled tax liabilities, for the late payment of instalments under the schedules within a term of 30 days from the cessation of the state of emergency, no interest and penalties are computed and due, the payment schedule being properly re-drafted, with the observance of the approved scheduling period. The conditions for maintaining the validity of the payment schedules are suspended until the lapse of a 30-day term from the cessation of the state of emergency. Also, forced execution by summons and auction of seized goods are suspended/ will not be started, save for the forced execution applicable for recovering budgetary receivables established by final Court decisions issued in the criminal field.

- ***Corporate income tax***

Taxpayers applying the system of quarterly prepaid declaration and payment of corporate income tax (e.g. banks), **can** make the quarterly advance payments for 2020 at the level resulting from the computation of the current quarterly corporate income tax. The computation method is maintained for all quarters of the 2020 tax year. Also, for those who have opted for a financial year different from the calendar year, these provisions apply for the advance payments due for the remaining quarters of the modified year ending in 2020, as well as for the computation of those related to the quarters of the modified fiscal year that starts in 2020 and is included in the calendar year 2020.

Corporate income tax payers (including taxpayers which apply pre-payment system) who perform the payment due for the first quarter of 2020, within the legal deadline of 25 April 2020, benefit from a deduction, as follows:

- 5% of the payable corporate income tax for the first quarter in case of large taxpayers;

- 10% of the payable corporate income tax for the first quarter in case of medium size taxpayers;

- 10% of the payable corporate income tax for the first quarter in case of other categories of taxpayers.

Taxpayers who opted to have the fiscal year different from the calendar year can benefit from the aforementioned deduction if they perform the payment of the tax due for the quarter/quarterly advance payment within the 25 April to 25 June 2020 period.

The above provisions are also applicable in case of taxpayers who are subject to specific tax, for the corporate income tax due for the first quarter of 2020 resulted from other activities than those which fall under the specific tax regime.

A 10% corporate income tax deduction is available for the second and third quarters of 2020, if the payment of the tax liabilities is performed by the due date, respectively 25 July 2020 and 25 October 2020.

- ***Tax on microenterprises income***

The taxpayers subject to micro-enterprise tax, which perform the payment due for the first, second and third quarters of 2020 within the legal deadlines of 25 April 2020, 25 July 2020 and 25 October 2020, may benefit from a 10% deduction from the payment of the micro-enterprise tax due for each of the quarters in which the aforementioned condition is fulfilled.

Micro-enterprises may benefit from tax credit for the amounts representing sponsorships granted to public institutions and authorities, including specialized bodies of public administration, based on the sponsorship contract, irrespective of whether the beneficiary entities are registered in the Register of cult entities/ units.

- ***Tax on specific activities (accommodation, bars, restaurants)***

In certain conditions, taxpayers liable to pay the specific tax do not owe this tax for the period in which they interrupt the activity totally or partially during the decreed state of emergency, case in which the tax related to 2020 is recalculated accordingly

- ***Payroll taxes***

Benefits in kind granted to individuals deriving income from salaries and assimilated to salaries are non-taxable for personal income tax and mandatory social contributions purposes where:

  – the revenues are derived as a result of occupying functions considered by the employer/ payer as essential for conducting the activity, and

  – the individuals are in preventive isolation at the workplace or in especially dedicated areas in which no outside persons have access, for a period established by the employer/ payer, in cases where the state of siege or emergency was established according to the law.

The incentives/ bonuses granted by the employer to the employees who carry out activities that involve direct contact with citizens and are at risk of infection with SARS-COV-2 **are not included in the monthly basis for calculating the social security contribution, health insurance contribution and the employment insurance contribution.**

The measure applies to the amounts granted during the emergency period, starting with the date of entry into force of the GEO 69/2020 (i.e. 14 May 2020), paid until 30 June 2020.

- ***Value added tax ("VAT")***

Reimbursement of VAT

VAT requested for reimbursement through returns is reimbursed by the central fiscal body with subsequent tax inspection, unless:

- by 16 April 2020, the tax inspection has commenced in order to settle the refund;
- in the case of large and medium-sized taxpayers:
  - the taxpayers have records that are sanctioned as criminal offences;
  - there is a risk of undue reimbursement;
  - taxpayers are subject to voluntary liquidation or insolvency, save for cases where a reorganization plan has been confirmed.
- in the case of other taxpayers:
  - the taxpayers have records that are sanctioned as criminal offences;
  - there is a risk of undue reimbursement;
  - taxpayers are subject to voluntary liquidation or insolvency, save for cases where a reorganization plan has been confirmed;
  - the taxpayer submits its first return with negative amounts of VAT with reimbursement option after registration for VAT purposes;
  - the amount of VAT requested for reimbursement derives from more than 12 monthly reporting periods, respectively 4 quarterly reporting periods.

For the amounts reimbursed in accordance with the above rules, the subsequent tax inspection is decided on the basis of a risk analysis.

The returns with negative amounts of VAT with reimbursement option that are already undergoing checks and for which the VAT reimbursement decision was not issued until 16 April 2020 are also resolved, according to the above provisions.

No payment of import VAT in customs for imports of certain goods

No payment of VAT will be due in customs for import of medicines, protective equipment, other medical devices or medical equipment and materials used for prevention, limitation, treatment and combating purposes of the COVID - 19 infection (tariff classification provided in the Annex of the normative act), made by taxable persons registered for VAT purposes, during the state emergency and for another 30 days from the date of termination of the state of emergency.

No payment of VAT will be due in customs for import of completely denatured ethyl alcohol, used for the production of disinfectants, performed by taxable persons registered for VAT purposes, during the period for which the state of emergency was established. This benefit is granted only to importers who have end-user authorization, according to the law, valid at the date of import.

The tax related to imports is reflected by importers both as output and input VAT.

Import duties relief and VAT exemption is granted for import of goods which fulfil the following conditions (based on Commission Decision (EU) 2020/491 of 3 April 2020):

a) the goods are intended for one of the following uses:
   - distribution free of charge by the bodies and organisations referred to in point (c) to the persons affected by or at risk from COVID-19 or involved in combating the COVID-19 outbreak;

- being made available free of charge to the persons affected by or at risk from COVID-19 or involved in combating the COVID-19 outbreak while remaining the property of the bodies and organisations referred to in point (c);

b) the goods satisfy the requirements laid down in Articles 75, 78, 79 and 80 of Regulation (EC) No 1186/2009 and Articles 52, 55, 56 and 57 of Directive 2009/132/EC;

c) the goods are imported for release for free circulation by or on behalf of State organisations including State bodies, public bodies and other bodies governed by public law or by or on behalf of organisations approved by the competent authorities in the Member States.

In addition, import duties relief and VAT exemption are granted where goods are imported for release into free circulation by or on behalf of disaster relief agencies in order to meet their needs during the period they provide disaster relief to the persons affected by or at risk from COVID-19 or involved in combatting the COVID-19 outbreak.

The list of goods subject to relief from import duties and VAT exemption on importation, granted for the goods needed to combat the effects of the COVID-19 outbreak during 2020, was approved by Order of the National Agency of Fiscal Administration (NAFA). The Order sets the procedure for obtaining the relief, as well as the conditions which need to be met by the applicant.

Such provisions **are applicable retroactively starting with 30 January 2020** and are available until 1 September 2020.

- ***Local taxes (building tax, land tax, auto vehicle tax)***

A deferment for the payment of the first instalment of local taxes (i.e. building tax, land tax and vehicle tax) from 31 March to 30 June is available without a formal request.

For the duration of the state of emergency decreed in 2020, local councils/ General Council of the Municipality of Bucharest can adopt resolutions, by 14 August 2020, for:

(i) **the reduction of the annual tax on buildings with a rate of up to 50%**, for non-residential buildings, if during the period for which the state of emergency was decreed, the owners/ users were required to completely interrupt their economic activity or hold the certificate for emergency situations;

(ii) **exemption from the payment of the monthly building charge due by lessees**, tenants, holders of the right to administer or use a public or private property of the state or of the administrative-territorial units, if during the period for which the state of emergency was decreed the users of the buildings were required to completely interrupt their economic activity.

The aforementioned measures are subject to a formal request which should be submitted to the local tax authorities.

- ***Personal income tax and social security contributions owed by individuals***

Individuals who obtain revenues from other sources than employment (e.g. freelancers, individuals obtaining revenues from investments, renting, intellectual property, etc.) having the obligation to submit the annual Sole Tax Return with respect to the personal income tax and the related social security contributions may benefit from the following tax deductions:

(i) **5% of the income tax and social contributions** due for 2019 for the payment (by payment or compensation) of **these tax liabilities until 30 June 2020;**

(ii) **5% of the income tax and social contributions** due for 2019 for the submission of the Sole Tax Return by electronic means. The tax incentive is granted only if the condition from point a) is met, respectively the tax liabilities are paid until 30 June 2020, case in which both tax incentives apply.

- ***Statute of limitation period***

The statute of limitation during which the tax body is entitled to establish tax liabilities and to request the enforcement, as well as that during which the taxpayer/ payer is entitled to request the refund of tax receivables, is suspended or does not start until the lapse of a 30-day term from the cessation of the state of emergency.

29.2. Social measures

- ***Technical unemployment***

During the state of emergency, for the period during which the individual labor agreements are temporary suspended, per the employer's initiative, according to the Labor Code, following the effects of the coronavirus SARS-CoV-2, **the compensations that the employees may benefit from are set at 75% of the gross salary of the corresponding job occupied and are borne from the unemployment insurance budget, but not more than 75% of the average gross salary** for 2020. **Thus, the gross compensation borne by the state would be of maximum RON 4.072 a month per employee (this is 75% of RON 5,429)**.

These provisions apply for economic operators who temporarily reduce or terminate their economic activity, either partially or totally, as a result of the effects of the COVID-19 epidemic. This is made based on a request, accompanied by an affidavit and a list of the individuals who will benefit of such compensation, submitted via e-mail, with the employment agencies.

The employers can pay, from their own funds, the difference between the amount received from the state and up to a minimum of 75% of the gross salary corresponding to position occupied in case of the employees with monthly salaries that exceed the level of RON 5,429 (gross average salary).

The employee who has concluded several employment contracts, of which at least a full-time one is still in place during the state of emergency, will not benefit of such compensation;

The employee who has concluded several employment contracts and all of such contracts are suspended during the state of emergency can benefit from a compensation computed at the level of the employment agreement with the most advantageous salary rights.

The technical unemployment indemnity may be granted up until May 31, 2020, with the possibility to a further extention after this date only in the areas in which the restrictions will be maintained.

The suspension period of employment contract for technical unemployment during the emergency and alert state represents **deemed contributory period in the unemployment insurance system** and is taken into account for the determination of the contributory period of at least 12 months in the last 24 months preceding the unemployment indemnity application;

- ***Measures applicable for other professionals***

Provisions for other professionals (e.g. freelancers – PFA) – other professionals, as regulated by the Civil code, which do not have the quality of employers and interrupt their activity totally or partially based on decisions issued by public authorities according to the law, during the state of emergency period introduced by Decree no. 195/2020, benefit from the general consolidated budget from a

compensation equal to the the average gross salary (in 2020, RON 5,429). The compensation is subject to tax and social security contributions based on the Tax Code.

The above compensation is also granted to lawyers whose activity is reduced as a result of the effects of the SARS-CoV-2 coronavirus, during the state of emergency if, during the month for which the allowance is requested, their receipts are at least 25% lower than the monthly average for 2019, but that do not exceed the average gross salary (in 2020, RON 5,429).

Registered sole traders, sole proprietorships, as well as individuals who obtain income exclusively from copyright, persons benefiting from a pension right and persons with a degree of disability which suspend their activity due to the effects of coronavirus, during the state of emergency, benefit from a compensation, borne by the state, equal to 75% of the average gross salary provided for 2020 (i.e. RON 4.072 / month).

The compensation may be granted up until May 31, 2020, with the possibility to a further extention after this date only in the areas in which the restrictions will be maintained.

- ***Days-off for parents***

Paid days-off may be granted to **one parent** taking care of his/ her children, during the period when the courses are suspended or during the temporary closing of educational units where children are enrolled to, **including during the school holidays**, as a result of e.g. other extreme situations such as the COVID -19 pandemic as stated by the competent authorities.

The number of days off paid to one of the parents for supervising the children, in case of suspension of courses or temporary closure of educational units where they are enrolled in accordance with Law 19/2020**, is established until the end of the 2019-2020 school year.**

The provisions are applicable for parents under the following conditions:

- the child/ children should have up to 12 years, or up to 18 years for a child with disabilities and should be enrolled in an educational unit;
- the current workplace does not allow working from home or remote;
- the employee is not in e.g. maternity leave, vacation, unpaid leave;
- the employee **does not have the contract suspended due to the temporary interruption of the activity of the employer**, or in case of that of the spouse, and is not the personal assistant of one dependent child.

Level of allowance - the allowance for each day off **is payable from the employer's budget** and is in amount of **75% of the gross salary** corresponding to one working day, but **not higher than the correspondent per day of 75% of the average gross salary** available in respect of the national social security budget (75% of the average monthly gross salary represents RON 4,072 per month).

General note: starting April 2020, allowances granted during the state of emergency to individuals as a result of:

- temporary suspension of the individual employment contract/ sports contract,
- interruption of activity due to the effects of SARS-CoV-2 coronavirus, or
- granting free days for the supervision of children, in the situation of temporary closure of the educational units,

and borne from the public unemployment insurance budget, respectively from the state budget, do not benefit from the exemption from personal income tax and, where the case, social security contributions, provided by the law (for example, allowances received by employees working in the field of IT, research and development, construction or HoReCa, are not exempt from personal income tax; the allowances

received by the employees in the construction field do not benefit either from the reduction of the pension contribution quota or from the exemption from the payment of the social health insurance contribution).

- ***Other measures***

  Starting 29 March 2020, during the state of emergency, the prices for electricity and heat, natural gas, water supply, sanitation and fuels cannot be increased above the current value as of 29 March 2020; prices can be lowered based on demand and supply.

29.3. Legal measures

- ***Military Ordinances (applicable during the state of emergency period)***

  Activities consisting in serving and consuming food, alcoholic and non-alcoholic beverages, carried out by restaurants, hotels, coffee shops or other public units, in locations specially designed for such purpose, whether inside or outside the respective location, were suspended. Sales activities which do not require clients remaining in those spaces are allowed (such as "drive-in", "room-service", or delivery to the customer's place).

  All cultural, scientific, artistic, religious, sports, entertainment or gambling activities, spa treatment and personal care related activities, held indoors, were suspended. Also, organization and running of any event outdoors involving more than 100 participants is forbidden.

  Starting with **22 March 2020**, 22.00 p.m. local time retail sale of products/ services taking place in commercial centers where several economic agents operate (such as malls and other commercial centers), except for retail sale of food items, veterinary or pharmaceutical products and cleaning services, are temporarily suspended. The suspension does not apply for sales of electronic products by economic operators ensuring transportation to client address, and also to sales and services of medical optics.

  Activities of dental offices, except for emergency dental interventions, are temporarily suspended.

  The legal measures provided by the Military Ordinances do not longer apply following the cessation of the state of emergency.

- ***Legal measures applicable during the alert status***

  Following the adoption of the alert status and the cessation of the measures provided by the Military Ordinance, additional measures were adopted by several normative acts. Such measures target different areas such as e.g. the population circulation, measures applicable for employers, performing economic activities under circumstances, the suspension of certain types of economic activities, hygienic recommendations etc. and generally provide more relaxed conditions compared to the Military Ordinances.

- ***Invoking force majeure against small and medium-sized enterprises (SMEs)***

  In the ongoing contracts (other than those regarding the utilities services - electricity, natural gas, water, telephone and internet services and rental contracts) concluded by SMEs (as defined in section 17.4. *Financial measures, subsection SMEs definition*), the force majeure clause may be invoked against them **only after the attempt, evidenced by records, for renegotiation of the contract** in order to adapt the clauses taking into account the exceptional conditions generated by the state of emergency.

It is presumed to be a case of force majeure the unpredictable, invincible and inevitable circumstance that results from an action of the authorities in applying measures to prevent and combat the pandemic caused by the infection with the COVID-19 coronavirus that affected the activity of the SME, **as certified by the certificate of state of emergency.** The presumption of force majeure can be overturned by the interested party by any means of proof. **The unpredictable character is related to the moment when the relevant legal report arose**. The measures taken by the authorities in accordance with the normative act that established the state of emergency will not be considered unpredictable.

- ***Other legal measures***

The term for filing the statement regarding the real beneficiary applicable to companies registered with the Trade Register (within 12 months since Law no. 129/2019 entered into force, as well as within 15 days since the approval of annual financial statements) is extended until 1 November 2020.

The deadline for submitting the annual financial statements for the financial year 2019, respectively of the annual accounting reports as at December 31, 2019, is extended until July 31, 2020 inclusive (the standard term is 29 May 2020).

The notifications regarding the late submission of tax returns having their legal submission deadline during the period for which the state of emergency was established are communicated to taxpayers/ payers within 30 days from the cessation of the emergency state (as opposed to the standard term of 15 days from the expiration of the legal deadline for submitting the tax returns).

Validity of documents issued by the General Inspectorate for Immigration for foreign individuals is maintained for a period of 90 days from the end of the state of emergency, and the right of residence of foreigners on Romanian territory, conferred by entry visas in Romania, is maintained for 90 days from the end of the state of emergency.

29.4. Financial measures

- ***Small and medium- sized enterprises (SMEs) definition***

SMEs are companies with less than 250 employees and a net annual turnover of less than EUR 50 mil. (the RON equivalent) or total assets that do not exceed the value of EUR 43 mil. (the RON equivalent).

Small and medium-sized enterprises are classified in the following categories:

- **micro-enterprises**: companies having up to 9 employees which have a net annual turnover or hold total assets which do not exceed the value of EUR 2 mil. (the RON equivalent);
- **small enterprises**: companies having between 10 and 49 employees which have a net annual turnover or hold total assets which do not exceed the value of EUR 10 mil. (the RON equivalent);
- **medium enterprises**: companies having between 50 and 250 employees which have a net annual turnover of up to EUR 50 mil. (the RON equivalent) or hold total assets which do not exceed the value of EUR 43 mil. (the RON equivalent).

- ***Postponement of payment of utilities and rent for SMEs and other categories of professions which interrupted their activity***

During the state of emergency period, **SMEs which interrupted their activity totally or partially based on decision issued by public authorities** (e.g. including most of the employers based in shopping centers / malls) and which **obtain a certificate for state of emergency** may benefit from postponement

of payment of utility services – electricity, natural gas, water, telephone and Internet services, as well as postponement of payment of rent for the building used as social headquarter and as secondary offices.

During the state of emergency, **no penalties will be owed for delays in the execution of the obligations arising from the contracts concluded with the public authorities by these SMEs**.

These provisions apply, accordingly, also for the following professions that perform services in the public interest: notary public, lawyer and court executor whose activity is directly affected by the measures provided by the authorities (in the context of COVID - 19). Of the same provisions may also benefit the cabinets of family doctors and dental cabinets in which the activity of more than 20 persons is carried out and whose activity is directly affected by the measures provided by the authorities, as well as the national sports federations and sports clubs that hold a certificate of sports identity whose activity is directly affected by the measures provided in the same context (COVID - 19).

- ***Amendments to the Program for supporting small and medium-sized enterprises – "IMM INVEST ROMANIA"***

  The percentage of **the state guarantee for financing consisting of one or more investment loans and/ or one or more loans/ credit lines for working capital** is increased from a maximum level of 50% to **up to maximum 80%** of the financing value, excluding interest, commissions and bank charges related to the guaranteed loan. The maximum cumulative value of state guaranteed financing that can be granted to a beneficiary within this facility is RON 10 mil., computed according to the rules set by the state aid scheme.

  The state guarantee of loans/ credit lines for financing of working capital, excluding interest, commissions and bank charges, **for up to 90% of the loan value for micro-enterprises and small enterprises**, within the maximum limit of RON 500,000 for micro-enterprises, respectively RON 1 mil. for small enterprises, computed according to the rules set by the state aid scheme.

  Full subsidization of interest on loans/ credit lines for financing of working capital and investment loans is granted under a state aid/ *de minimis* scheme.

  The interest subsidization will be performed from the moment of granting the loans/ credit lines contracted after 21 March 2020 and may last until 31 December 2020; this period can be extended for the next 2 years if the economic growth estimated for this period is below the level recorded in 2020 (the subsidy is approved annually by normative act with power of law).

- ***Postponement available for loan instalments***

  Upon the request of **qualifying debtors**, the obligation of paying loan instalments for loan agreements representing principal, interest, commissions, concluded until 30 March 2020, may be postponed to up to 9 months, but no later than 31.12.2020. The beneficiaries of such measures are debtors such as **individuals, sole traders, sole proprietorships, persons with liberal professions, family owned and operated business, legal entities** which had their income affected, directly or indirectly, by the COVID-19 pandemic, according to the norms issued for this emergency ordinance (which will be published within 15 days from the date when the present ordinance was published);

  The following aspects are relevant in respect of loans eligible for requesting the postponement of the payment:

  – the debtors have not requested an anticipated payment prior to 30 March 2020;

  – for the respective loans, no outstanding amounts are due at 16 March 2020 or the outstanding amounts have been paid until submission of the request for postponing the payment.

  Debtors, other than individuals, must cumulatively fulfill the following conditions in order to benefit from postponing the payment of loan principal, interest and commissions:

- such entities interrupt their activity, totally or partially, as a result of the decisions of competent authorities and hold an emergency certificate issued in this respect (the blue type) or an emergency certificate (the yellow type) which states, based on the affidavit submitted, the reduction in revenues/ income reported during March 2020 and / or April 2020 and / or May 2020 of at least 25% as compared to the average amount recorded during January-February 2020; and
- such entities are not subject to insolvency procedures at the date when requesting the postponement of the payment for loan related installments.

Generally, interest computed for loan installments for legal entities, which have been postponed upon request, will be capitalized on the credit balance at the end of the suspended period.

By way of exception, in the case of mortgage loans contracted by the individuals, during the period when there is a postponement request, the interest is computed as per the provision of the loan agreement and represent an independent and distinct debt from all other obligations arising further to the loan agreement – in case of such debt, the interest is 0% and is payable in 60 equal monthly instalments starting with the month when the deferral period is terminated.

Note - the Ministry of Economy, Energy and Business Environment issues, upon request, **state of emergency certificates (CSU)** to economic operators which had been affected by the pandemic created in context of the spread of SARS-COV-2 – the issuance of state of emergency certificates is made according to Ministerial Order no. 791/2020.

The CSU's may be obtained by electronically submitting documents on the website http://prevenire.gov.ro/.

- ***State aid scheme for supporting the SMEs in the context of the economic crisis generated by the COVID-19 pandemic***

The state aid scheme aimed at supporting small and medium-sized enterprises (SMEs) in the context of the economic crisis generated by the COVID-19 pandemic involves the following forms of aid:

A. State aid in the form of guarantees for loans

As regards loans/ credit lines guaranteed by the state up to a percentage of maximum 80%, the maximum value of each financing granted to a beneficiary cannot exceed RON 5,000,000 for the loans/ credit lines for working capital, respectively RON 10,000,000 for investment loans within one of the following conditions valid for both financing forms, representing the greater value between:

i. double the amount representing salary expenses, including the mandatory social contributions due by the employer related to the income from salaries and assimilated to salaries, registered at the level of 2019. In the case of companies incorporated after 1 January 2019, the maximum amount of the loan cannot exceed the amount estimated for the first two years of activity; or

ii. 25% of the beneficiary's net turnover for 2019, respectively the gross income or the annual income norm for individuals deriving income from independent activities, as the case may be, according to the Sole tax return regarding income tax and social contributions owed by individuals and submitted to the competent tax authorities for the year 2019; or

iii. a value which results from the beneficiary's cash needs, provided that the beneficiary presents supporting documents, in which case the amount of the loan cannot exceed the cash needs since the moment of granting for the following 18 months.

As regards loans/credit lines for financing of working capital guaranteed by the state up to a percentage of maximum 90%, the maximum value of the loan/credit line for micro-enterprises cannot exceed

RON 500,000, respectively RON 1,000,000 for small enterprises, within the limit of the greater value between those mentioned at points (i) - (iii).

The maximum cumulative value of state guaranteed financing may not exceed RON 10,000,000, within the limit of the greater value between those mentioned at points (i) - (iii).

The maximum duration of the financing is of 72 months in the case of investment loans, without the possibility of an extension, and of 36 months in the case of loans/credit lines for working capital, with the possibility of an extension with a maximum of 36 months.

B. State aid in the form of a grant

SMEs that have contracted loans/ credit lines guaranteed by the state benefit from a grant, within the limit of the cumulative result between the values of the risk commission, the administration commission, related to the guarantee granted, and the interest related to the loans/credit lines, but not more than the RON equivalent of EUR 800,000 per company.

For the agriculture, fish farming and aquaculture sectors, certain specific conditions apply.

SMEs wishing to benefit from state aid must meet certain eligibility criteria.

The period of validity of the scheme, respectively the period during which the beneficiaries are selected and letters of guarantee/financing agreements are issued is between 4 April 2020 and 31 December 2020, and the period during which the payment of the grant can be made is between 4 April 2020 and 31 March 2021, inclusive, with the possibility of extension according to art. 1 para (33) of the Government Emergency Ordinance no. 110/2017.

State aid granted under the state aid scheme are granted after obtaining the authorization decision of the European Commission.

- ***Cancelation of certain fiscal obligations***

All the categories of taxpayers, individuals or legal persons, regardless of the form of ownership, associations and other entities without legal personality, individuals who carry out economic activities independently or exercise liberal professions etc., can benefit from the cancellation of late payment charges, subject to certain conditions:

  - cancellation of late payment charges related to the principal budgetary obligations, outstanding at 31 March 2020;
  - cancellation of late payment charges related to the budgetary obligations related to periods up to 31 March 2020 declared by the debtors through rectifying statements;
  - cancellation of the late payment charges related to the principal budgetary obligations with maturities prior to 31 March 2020 and settled by this date;
  - cancellation of the late payment charges related to the principal budgetary obligations with maturities prior to 31 March 2020 individualized in tax assessment decisions.

Useful links:

- Government of Romania website: click here.
- Romanian National Agency for Fiscal Administration: click here.

For updated information please contact your Taxand team in Romania at: www.taxhouse.ro

30. RUSSIA *(UPDATED 28.04.20)*

The package of legislative tax measures to support the economy has been adopted in Russia in the context of the Covid-19 pandemic. At the first stage, on March 31st, 2020 the State Duma entitled Government to issue legal acts, which can amend the Tax Code on the following issues: deferral of tax and social security payments, extension of the deadlines for submitting tax declarations, accounting (financial) statements and other documents to the tax authorities; determination of the special conditions for additional deferral for tax payments. At this moment several Decrees of the Russian Government have been issued (Decree No. 409, 570).

30.1. Tax measures

Extension of submission deadlines of tax returns

- **For all taxpayers:**

The deadlines for all tax declarations (except for VAT declarations) which had to be submitted to the tax authorities from March to May 2020, are extended for 3 months:

- The deadline for presenting the annual tax return for corporate income tax for 2019 was postponed from March 29 to June 29, 2020; the deadline for the tax return for corporate income tax for the 1st quarter of 2020 is July 28, 2020;
- The deadline for submission of tax return for property tax and for simplified tax regime postponed from March 30 to June 30, 2020;
- The deadline for presenting the annual tax return for personal income tax (for individual entrepreneurs) was postponed from April 30 to July 30, 2020;

The submission deadline of VAT returns was also postponed: the deadline for presenting the VAT declarations is now May 15th, 2020.

Deferral of tax payments

- **Only for SMEs:**

Based on the position of the Russian Government the aim of the tax relief measures is to support the small and midsized enterprises (SMEs), which were affected the most by the spread of Covid-2019 and also by the quarantine measures. For this reason, the list of the most vulnerable industries was issued by the Government (Decrees No. 434, 479, 540), which includes aviation, tourism, activity of the education organizations and non-governmental educational institutions, hotel business, entertainment, catering industries, domestic services, nonfood retail.
If the company meets the requirements for SMEs and it carries out its activity in the industries mentioned in the Government Decrees, the following deferral of the tax payments is applicable:

- Extension of the deadline for paying corporate income tax, special regimes taxes for 2019 to 6 months, now the deadlines are September 28th, September 30th, 2020;
- Extension of the deadline for paying of advance tax payments for the 1st quarter for 6 months, for 2nd quarter for 4 months (for advance tax payments for corporate income tax, special regimes taxes);
- Extension of the deadlines for paying of advance tax payments for transport, property and land taxes for the 1st and 2nd quarters of 2020 (the deadlines has been extended to October 30th and December 30th, 2020 for the 1st and 2nd quarters of 2020 respectively).

According to the Government Decree No. 570 the deferred amount of tax accrued at the moment of payment will have to be paid not at once, but in equal instalments (one instalment is 1/12 of the whole tax amount) within one year.

- **For other taxpayers**

Apart from SMEs (which have a right for the deferral of tax payments by default), if the company (which is not a SME) operates in the industry at risk (included in the list of the Government), then such company has the right to apply for the deferral of tax payments/ advance tax payments for all taxes with the payments due in 2020 (excluding extraction taxes and excises). The deferral in such case is granted individually on the request basis: the company will have to present the justification for the delay (e.g. reduced revenue of 10% and more, losses and etc.). The deferral could be presented for 3 months to 1-3 years depends on the financial situation of the company. Also, the delay for tax payments can be granted to the strategic, city-forming companies by special acts of the Russian Government.

Deferral for VAT payments are excluded from the special tax measures for all taxpayers. The deadline for the VAT payments (1/3 instalment) for the 1st quarter is postponed to the May 6th, 2020 due to the non-working days in April (as a result of the quarantine measures).

Tax amendments due to the COVID-19

On April 17, 2020 new amendments to the Russian tax code have been introduced by the Federal law No. 121-FZ. The following rules were established:

- Grants/subsidies received from the federal budget due to the COVID-19 situation are not regarded as a taxable income. Also the law has eliminated all restrictions on the deductions of VAT on goods (work, services), including fixed assets acquired at the expense of these grants/subsidies;
- Costs which are incurred by the taxpayers for disinfection, for the purchase of instruments, laboratory equipment, special work clothing and other protective equipment due to the COVID-19 can be regarded as deductible from the tax base for the purpose of the corporate income tax (it is also applicable for the simplified tax regimes). Such expenses could be regarded as expenses associated with production and sales.
- The procedure for making advance monthly tax payments for the purpose of the corporate income tax has been modified. During the year of 2020 taxpayers are allowed to pay such payments based on the actual profit. Also, the income threshold has been increased from 15 to 25 million rubles, at which taxpayers can pay advance tax payments quarterly.
- The following income will not be subject to the personal income tax: grants/subsidies received from the federal budget due to the COVID-19 situation, monetary compensation to medical workers for the special working conditions as a result of the COVID-19.

Also, new tax regulations have been introduced. It was declared that the funds received from these regulations will be used to mitigate the economic consequences of the Covid-19 (support of families, sick people etc.):

- interest on deposits will be subject to 13% income tax (for the interest the amount of which exceeds 1 million rubles), starting from 2021;
- an increased WHT rate (15%) will be applied for dividends paid out from Russia to “transit” jurisdictions (Cyprus, Luxemburg, Malta). At this moment the Russian Government has already sent the proposal letters to the competent authorities of these states with respect to the changing of relevant DTT provision.

Tax audits

A moratorium on tax audits has been introduced. An appointment of new on-site tax audits, as well as conducting of ongoing tax audits are suspended until June 1, 2020. The currency control audits are also suspended.
The Russian Government also declared that the debt collection measures (suspension of bank account operations) would not be applied for SMEs until May 1st, 2020.

30.2. Social measures

- **For all taxpayers:**

The submission deadline of returns for social insurance contributions was also delayed for 3 months. Nowadays the deadline for presenting the social security declarations is May 15th, 2020.

- **Only for SMEs:**

The Russian Government announced a six-month delay for social insurance contributions (including contributions to the pension funds, social and medical insurance etc.), which were supposed to be paid in March-May 2020. In addition, the four-month delay for the social insurance contributions for the period of June-July 2020 was established.
Companies which are not meet the requirements for SMEs, but which operate in the hard-hit industry (included in the list of the Government), then such companies have the right to apply for the delay for social insurance contributions on the request basis.
For other companies, the delay for social insurance contributions is not provided by the Government.

30.3. Financial measures

The Russian Government declared that RUB 2 trln. have been committed to support business in the Covid-19 situation. Financial support measures have been developed primarily for small and midsized enterprises, which are operating in the industries most affected by anti-Covid-19 measures (quarantine and etc.).
These companies can apply for the assistance and receive grants from the government. The program provides free financial assistance to solve urgent problems of SMEs. Grant is calculated as 12 130 RUB per 1 employee. Also, there are no restriction on how the company can use such assistance – it can be spent on emergency needs (e.g. to pay salaries, debts, bills, etc.).

Lending - banking sector

In addition, apart from grants/subsidies, SMEs which are operating in the industries included in the list of the most affected by Covid-19, can take part in the interest-free lending program for salaries. The maximum amount of the funds, which could be borrowed, is calculated as an official number of employees X minimum wage. An interest-free loan under the program is available for six months, also it can be extended for another six months, but the interest rate would be only 4%.

Useful links:

- Russian Government's website: click here
- Ministry of Finance's website: click here
- Ministry of Economic Development's website (available only in Russian): click here
- Covid-19 measures website (available only in Russian): click here

For updated information please contact your team in Russia at www.pgplaw.ru

31. SERBIA *(UPDATED 24.04.20)*

The Government of the Republic of Serbia adopted three regulations on April 10th 2020, which are part of the legal framework for implementing economic measures to mitigate the effects on the economy due to the COVID-19 pandemic.

Namely, the following regulations were adopted:

- Regulation on Fiscal Benefits and Direct Benefits to Private Sector Companies and Financial Assistance to Citizens to Mitigate the Economic Consequences of COVID-19,
- Regulation establishing the Program of financial support to business entities for maintaining liquidity and working capital in aggravated economic conditions due to the COVID – 19 pandemic,
- Regulation on issuance of debt securities during the state of emergency (introducing certain changes to the prospectus drafting and approval process, in order to simplify it as much as possible in circumstances of the state of emergency).

It is important to note that this program will not apply to companies that have reduced their employee numbers by more than 10% since the start of the state of emergency (which does not include the employees whose employment contract for a definite period of time expires during the state of emergency).

The set of measures consists of four parts: tax policy measures, direct assistance to the private sector, measures to preserve liquidity for the private sector, as well as direct assistance to every adult citizen.

31.1. Tax measures

- **Deferral of payment of payroll taxes and contributions** for the private sector, during the state of emergency, with the subsequent repayment of incurred liabilities in instalments beginning at the earliest from 2021.

The Regulation stipulates a deferral of maturity for payment of certain public revenues due for payment between 1 April and 30 June 2020, and exceptionally until 31 July 2020 for taxes and compulsory social contributions payable to earnings for the month of June 2020, at a maximum of 24 equal monthly instalments without interest payment, namely:

- taxes and contributions of citizens on salaries and wages (for March, April and May 2020, or by the choice of the taxpayer for April, May and June 2020),
- advances on personal income tax for those who opted for personal earnings, as well as flat-rate taxation.

- **Deferral of payment of corporate income tax advances**, for March, April and May 2020 (due on April 15, May 15 and June 15) until the submission of the final corporate income tax return for 2020**.**

- **Exemption of donors from VAT -** VAT exemption for all supplies performed after the introduction of the state of emergency (March 15, 2020) until the date of its termination, when the VAT payer performs supply of goods and services without consideration to the Ministry of Healthcare, the Republic Health Insurance Fund, or a publicly owned health institution. This VAT payer has the right to deduct input VAT from such supply. Additionally, the VAT payer is obliged to keep separate records for these supplies

- **During the state of emergency**, Tax Authorities will not annul agreements on the delay of payment of tax debt, i.e. terminate resolution on the delay of payment of the tax debt nor initiate forced collection

procedures, starting from the instalment due in March 2020. Furthermore, during this period, no default interest will be calculated on tax debts that have been deferred, either by the delayed execution of the final tax act or by the delayed payment of due tax.

- **The deadline for filing corporate income tax returns** is 90 days from the date of termination of the state of emergency for those taxpayers whose tax period is equal to the calendar year. Accordingly, taxpayers whose business year corresponds to the calendar, will be able to file a corporate income tax return for 2019 until the expiry of 90 days after the termination of the state of emergency, instead by 30 June 2020.

For taxpayers for which the business year is different from the calendar year, the deadline shall also be postponed to 90 days from the date of termination of the state of emergency, if the deadline for filing the tax return expires during the state of emergency.

Also, on this occasion we would like to point out that by shifting the deadline for filing the corporate income tax return, the deadline for filing the accompanying documentation that need to be submitted together with that return, such as transfer pricing reports, documentation relevant to obtaining tax relief and tax incentives, etc. will be postponed as well.

31.2. Social measures | direct assistance to the private sector

- **Grants to business entities**
  - When it comes to direct payments from budget to private sector entities, they imply the payment of grants to business entities (entrepreneur, lump-sum entrepreneur, farmer entrepreneur, other entrepreneur, legal entities classified as micro, small and medium-sized), which may be used solely for the payment of wages and salaries to employees.

    It will be paid in May, June and July 2020, and it refers to the accounting periods of March, April and May and will be expressed as the product of the number of employees for whom tax returns have been filed and the amount of basic minimum net earnings for March 2020 (≈EUR 250). The minimum wage paid by the state is a salary supplement if the employer has the funds to pay wages, and if not, then that's all the employee gets.

  - A legal entity classified as a large legal entity may qualify for a grant of 50 percent of the basic minimum net wage for March 2020, for its employees who have been given the decision on interruption of work after the introduction of the state of emergency in accordance with Articles 116 and 117 of the Labour Law. The grant is also paid in May, June and July 2020. It is necessary for a large legal entity to submit to the competent organizational unit of the Tax Administration and the competent organizational unit of the Treasury Administration a list of persons to whom these benefits relate in paper form, no later than the 20th of the month for the payment of grants made in the following month.

Conditions to use fiscal benefits and direct payments:

- **It prescribes that private sector entities** (including branches and representative offices of foreign legal entities) **may use fiscal benefits and direct payments**, provided that from 15 March 2020 until the date this Regulation enters into force they have not reduced the number of employees by more than 10%, excluding employees who concluded a fixed-term employment contract with a private sector entity before 15 March 2020 for the period ending between 15 March 2020 and the day of entry into force of this Regulation.

- These are only business entities established and registered before 15 March 2020. Moreover, fiscal benefits and direct payments under regulation may be used by entrepreneurs, farmers and lump-sum entrepreneurs who have registered temporary interruption of work on 15 March 2020 at the earliest.
- Private sector entities that choose to use fiscal benefits and direct payments from budget **cannot pay out dividends** until the end of 2020.

- **Direct assistance** to all adult citizens in the amount of 100 euros in RSD equivalence, as a fiscal stimulus. After the end of the state of emergency, all citizens of the Republic of Serbia over 18 years old will be paid a one-off financial assistance in the amount of EUR 100 in RSD equivalent.

31.3. Financial Measures

- When it comes to the second adopted Regulation, it refers to the **Program of financial support to business entities for maintaining liquidity and working capital** in aggravated economic conditions due to the COVID – 19 pandemic.

The aim of this Program is to provide business entities (entrepreneurs, co-operatives, micro, small and medium-sized companies which are majority privately or by co-operatives owned, which perform production, service, trade and agricultural activities) with support for the procurement of working capital and for maintaining liquidity.

The loan repayment period will be up to 36 months, which includes a grace period of up to 12 months, and the total loan duration is up to 12 months of grace and up to 24 months of repayment. Repayments will be made in monthly annuities, while the interest rate is 1% annually.

The basic condition for the realization of these loans is the retention of the number of employees, with the tolerance of up to 10% of the number of employees as of 16 March 2020.

The minimum amount of loan that companies can raise is RSD 1.000.000 (RSD 200.000 for entrepreneurs, co-operatives and business entities registered in the relevant register). As a maximum loan amount, entrepreneurs and micro-legal entities can raise up to RSD 10.000.000, small legal entities up to RSD 40.000.000, and medium-sized legal entities up to RSD 120.000.000. Minimum and maximum amounts are stipulated for one loan beneficiary with the affiliated persons.

Instruments for securing the proper repayment of the loan were also prescribed.

When it comes to the realization of this Program, the funds of the Development Fund of the Republic of Serbia will be used for its implementation. The Fund will receive the requests until the funds from the Program are spent, **and no later than December 10, 2020.**

- **National Bank of Serbia** introduced 90-Day Moratorium on Loan Repayments.
- **National bank of Serbia** reduced default interest rate from 11.75% to 1.5% per annum.

Useful links:

- Republic of Serbia Ministry of Finance's website: click here.

For updated information please contact LeitnerLeitner team in Serbia at https://www.leitnerleitner.rs/serbia/en/about-us

32. SINGAPORE *(UPDATED 14.05.20)*

32.1. Tax measures

a. Corporate income tax rebate

To assist companies with cash flow, a Corporate Income Tax ("CIT") rebate of 25% of tax payable, capped at SGD 15,000 will be granted for Year of Assessment ("YA") 2020.

b. Property tax rebate for non-residential property

Qualifying commercial properties including, *inter alia*, hotel rooms, service apartments, premises used or intended to be used for Meetings, Incentive Travel, Conventions and Exhibition Centre ("MICE"), restaurants, and tourist attractions are granted a full property tax rebate for the period 1 January 2020 to 31 December 2020. Other non-residential properties such as offices and industrial properties will be granted a property tax rebate of 30%.

c. Automatic three-month deferment of income tax payments for companies and self-employed persons

To ease cash flow of companies and self-employed persons, an automatic three-month deferment of their income tax payments will be granted. All companies with CIT payments due in the months of April, May, and June 2020 will be granted an automatic three-month deferment of these payments. Self-employed persons ("SEPs") will be granted an automatic three-month deferment of their personal income tax payments due in the months of May, June, and July 2020.

d. Extension of tax filing deadlines

No.	Category of Tax	Original Filing Deadline	Extended Filing Deadline
1	Income Tax for Individuals (including sole proprietors and partnerships)	18 April 2020	31 May 2020
2	Income Tax for Trusts, Clubs and Associations	15 April 2020	30 June 2020
3	Estimated Chargeable Income (ECI) for companies with Financial Year ending Jan 2020 Estimated Chargeable Income (ECI) for companies with Financial Year ending Feb 2020	30 April 2020 31 May 2020	30 June 2020 30 June 2020
4	GST Returns for accounting period ending March 2020 GST Returns for accounting period ending April 2020	30 April 2020 31 May 2020	11 May 2020 11 June 2020
5	Withholding tax forms due in April 2020	15 April 2020	15 May 2020
6	Tax clearances for foreign employee in April 2020 Tax clearances for foreign employee in May 2020	- -	30 June 2020 30 June 2020

e. Deferment of tax payment for individual income tax

To ease the cash flow of individual tax payers, taxpayers are given the option to defer their income tax payments due in May, June and July 2020. Taxpayers will need to sign up for the deferment option by filling up a form electronically. This deferment does not apply to non-Singapore citizen employees who have sought tax clearance or are employees of foreign employers.

f. Enhanced carry back of current year capital allowances and trade losses

Under the enhanced scheme, qualifying deductions for YA 2020 may be carried back for up to three immediate preceding YAs, capped at SGD 100,000, subject to the shareholding test and same business test.

g. Accelerated write-off of the cost of acquiring plant and machinery

Capital expenditure incurred on the acquisition of Plant and Machinery ("P&M") in the basis period for YA 2021 will have the option to accelerate the write-off of the cost of acquiring such P&M over two years (75% of cost incurred in the first year and 25% of the cost incurred in the second year). This option if exercised is irrevocable.

h. Accelerated deduction of expenses incurred on renovation and refurbishment

A taxpayer that incurs qualifying expenditure on Renovation and Refurbishment ("R&R") during the basis period for YA 2021 will have the option to claim R&R deduction in a single YA, subject to a cap of SGD 300,000 for every relevant period of three consecutive YAs. This option if exercised is irrevocable.

32.2. Legislative measures

a. Temporary relief from the inability to perform contractual obligations entered into before 25 March 2020

The COVID-19 (Temporary Measures) Act 2020 (the "Act") offers temporary relief to contracting parties of scheduled contracts who are unable to meet their contractual obligations of leases or licenses of non-residential immovable property including, *inter alia*, contracts for the leasing of office premises, retail shops and industrial and warehouse spaces, and loan facility granted by licensed banks or financial institutions to landlords, which are secured against commercial or industrial immoveable property, or any plant, machinery or fixed asset located in Singapore.

b. Temporary relief for financially distressed persons

The changes to the bankruptcy and insolvency laws provides temporary relief for businesses, firms and individuals in financial distress by increasing the statutory period to satisfy or set aside a statutory demand from 21 days to six months, increasing the debt thresholds for winding up and bankruptcy, and reliving directors from the insolvent trading where the debts are incurred in the company’s ordinary course of business.

For natural persons, the threshold debt for bankruptcy is raised from SGD 15,000 to SGD 60,000, and the maximum debt threshold for Debt Repayment Scheme is lifted from SGD 100,000 to SGD 250,000. As for legal persons, the monetary debt threshold for corporate insolvency is raised from SGD 10,000 to SGD 100,000.

In essence, the measures will only temporarily affect the right of a creditor to commence legal action for a default during the prescribed period, and not the contractual rights of creditors.

c. Temporary measures for conduct of meetings

Consistent with the enhanced social distancing measures agenda, alternative arrangements including, *inter alia*, the conduct of meeting via electronic communication, video conferring, tele-conferencing or other electronic means, may be adopted where personal attendance at any meeting or class of meetings is provided for in any written law or legal instrument such as, *inter alia*, the constitution of company or trust deed.

d. Temporary measures for court proceedings

All matters scheduled for the relevant period (7 April to 1 June 2020) will be adjourned unless the matter is assessed to be essential and urgent.

e. Transfer of benefit of the reduction in property tax to tenants

Owners of the tenanted non-residential properties are required to pass on the property tax rebates to the tenant.

32.3. Socioeconomic measures

a. Jobs Support Scheme

The Jobs Support Scheme ("JSS") was introduced to help enterprises to retain their local employees (Singapore citizens and Permanent Residents). The JSS will cover nine months of wages that are to be distributed in three tranches.

All eligible employers will receive a 25% cash grant on the first SGD 4,600 of the gross monthly wages of each local employee on their Central Provident Fund ("CPF") payroll. Additional wage support of 75% and 50% on the first SGD 4,600 of gross monthly wages per local employee will be rendered to qualifying businesses in the aviation and tourism, and food services sectors respectively.

As announced on 21 April 2020, the additional wage support of 75% for the first SGD 4,600 will be extended to eligible employers of all sectors for the months of April and May 2020. In addition, from the month of May 2020, the JSS will be extended to qualifying employees who are also shareholders and directors of the company, subject to conditions.

b. Foreign Worker Levy Waiver and Rebate

The Foreign Worker Levy ("FWL") due in the month of April 2020 will be waived and for each S Pass or Work Permit holder employed as of 29 February 2020, the employer will receive a rebate of SGD 750.

As announced on 21 April 2020, to help employers cope with Singapore's extended Circuit Breaker period (7 April to 1 June 2020), the FWL for the month of May 2020 will be waived and an additional FWL rebate of SGD 750 will be given for each S Pass or Work Permit holder employed as of 1 May 2020.

c. Covid-19 Support Grant

Financial assistance will be provided to Singapore citizens and Permanent Residents, aged 16 years and above, who have lost their jobs as a result of the COVID-19 outbreak, subject to conditions. Eligible individuals are required to submit their application at their nearest Social Service Office from May 2020 to September 2020.

d. Solidarity Payment

All Singapore citizens aged 21 and above will receive a one-off Solidarity Payment of SGD 600 in cash, as immediate assistance to tide through the Circuit Breaker period.

e. Enhanced Care and Support Package

In addition to the one-off Solidarity Payment, all Singapore citizens aged 21 and above will receive a cash payout of either SGD 300 or SGD 600, based on their assessable income for YA 2019. Parents who are Singapore citizens with at least one Singaporean child age 20 and below in 2020 will also receive an additional SGD 300. All Singaporeans aged 50 and above in 2020 will also receive an additional cash payout of SGD 100.

f. Rental waivers for tenants in government owned/ managed non-residential facilities

g. Enhanced Financing Support

For Singapore-based Small Medium Enterprises ("SMEs")

The maximum loan quantum for SMEs is increased to SGD 1,000,000 per borrower under the Enterprise Financing Scheme – SME Working Capital Loan ("EFS-WCL"). The maximum repayment period is five years with interest subject to assessment by Participating Financial Institutions ("PFIs"). SMEs may apply for a deferment of principal repayment for one year, subject to assessment by PFIs.

Increased support by the Singapore Government for the Loan Insurance Scheme ("LIS") premium from 50% to 80% for one year from 1 April 2020 to 31 March 2021 to help SMEs across all industries manage their trade financing costs.

For all Singapore-based enterprises in all industries

The maximum loan quantum under the Enterprise Financing Scheme – Trade Loan ("EFS-TL") is increased to SGD 10,000,000 per borrower group. The EFS-TL supports Singapore-based enterprises' trade financing needs, which include the financing of short-term import, export, and guarantee needs by having commercial insurers co-share loan default with Participating Financial Institutions. A portion of the insurance premium paid by SMEs to insurers is supported by the Singapore Government.

Under the Temporary Bridging Loan Programme ("TBLP"), eligible enterprises of all sectors may apply for a maximum loan of SGD 5,000,000 per borrower group from 1 April 2020 to 31 March 2021. The maximum repayment period is five years with interest capped at 5% per annum. The deferment of principal repayment for one year may be obtained by businesses, subject to assessment by PFIs.

Under all the enhanced financial support schemes, the Singapore Government's risk share of loans will be increased to 90% for loans initiated from 8 April 2020 until 31 March 2021.

For updated information please contact your Taxand team in Singapore at:
www.withersworldwide.com/engb/singapore-dup

33. SLOVAKIA *(UPDATED 17.04.20)*

The current COVID-19 situation affects companies and businesses worldwide. In the night of 9 April, the EU Finance Ministers definitely approved a generous **EUR 500 bn package**, including EUR 100 bn aimed at the introduction of the short-time work scheme ("Kurzarbeit") in selected EU states. This is good news. To prevent the abuse of funds for other budget holes, the requirement is that the aid be used to cover "direct and indirect costs related to COVID-19 pandemic". More details on the EU package can be found at this official EU website.

At the time of the pandemic outbreak, parliamentary elections took place in Slovakia. Our new government, the members of which stand for a healthy and corruption-free business environment, was created on 21 March. As early as on 2 April, it managed to approve the **First Aid Package,** focused mainly on SME, the dynamic origination of which was summarized by us at several webinars (presentations in 3 languages can be found on our website).

Further packages will contain also measures to help larger companies, including the introduction of Kurzarbeit to the Slovak law and the use of the special EU aid above. All the measures approved in Slovakia until now are referred to as "LEX CORONA" and are made public on a step-by-step basis as aid packages. The Spring issue of our Newsfilter focuses exclusively on this topic. So far, the first and the second aid packages have been introduced.

A summary of legislative conditions approved or proposed as at 15 April 2020 can be found below. *Conditions which have not been officially approved yet are italicized in the text below.*

TOP 1: FINANCIAL SUBSIDIES AIMED AT MAINTAINING JOBS

A. Financial contribution to settle labour costs of closed operations

The project falls under the First Aid Measures to support employment and maintain jobs during the extraordinary situation. Applications for contributions can be filed since 6 April 2020 and first funds should be paid out after 15 April 2020. The financial contribution is paid out through Labour Offices.

This contribution enables employers who had to close their operations mandatorily under the Measure of the Public Health Authority to receive a refund of 80% of the average earnings of an employee, max. EUR 1,100 per employee.

The applicant has to be an employer (including self-employed persons) paying out its employees a wage compensation amounting to 80% of their average earnings in the period for which it claims the contribution. The contribution may be granted only for employees whose employment contracts were concluded no later than on 1 March 2020 and is granted only for the days on which obstacles on the part of the employer existed (employees on sick leave and taking care of a family member not eligible). Only taxpayers that were established and started doing business no later than on 1 February 2020 may apply. Another condition is that the employer may not terminate employment of an employee for whom the contribution was granted, for the period of 2 months after the contribution was paid out.

Application forms can be found at www.pomahameludom.sk

The prescribed form of the application is mandatory. A declaration of honour as well as a statement of employees are to be attached. Due to the EU state aid rules, the total aid amount may not exceed EUR 800,000 per applicant for the whole project duration (expected duration max. until 31 December 2020). Contributions will be provided based on an Agreement on financial contribution. Given the pandemic, the authorities prefer electronic communication.

B. Support of employers with decreased sales

The condition of a decrease in sales revenues by a minimum of 20% (for March 10%) is applicable. The sales revenues are to be compared to the previous periods (the same month of the previous period/ average sales of the previous period/ sales for February 2020).

The contribution differs depending on the % of sales decrease (decrease by 20%/40%/60%/80%) and amounts to EUR 180/EUR 300/EUR 420/EUR 540, respectively. For March, 50% values apply. The total aid amount may not exceed EUR 200,000 per month and applicant.

The date on which the application forms should be available to employers has been postponed until after 13 April 2020 (originally 8 April), as it is planned that also *Kurzarbeit subsidies, a possible alternative to this contribution, would be available soon (Part C).*

The application is available at www.pomahameludom.sk.

As regards both financial contributions described above, once the pandemic is over, there will be retroactive audits organized in cooperation with the tax administration focused on the verification of the amounts granted. Illegitimate use of funds can be classified as a criminal offence (fraud or subsidy fraud) and, besides, the applicant would have to return the contribution.

The employer may change the form of contributions applied for in the particular months. According to the information published on the website, the form for which the employer classifies by a higher number of days should be applied for.

If you receive another form of state aid (including the aid received before the pandemic), we recommend consulting the new aid form with the competent authority.

C. Support of employers through the new Kurzarbeit scheme

The term Kurzarbeit comes from German speaking countries and looks back on a long history. During the 2008 – 2009 financial crisis, Kurzarbeit proved to be very successful. Early April 2020, also the European Commission (EC) supported this scheme at the European level. Through its SURE initiative, the EC intends to support the introduction and the funding of Kurzarbeit in particular EU states.

Within the package of measures against the Corona crisis, the EC made available EUR 100 bn for short-time work measures. https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/overview-commissions-response_de#economicmeasures

To be able to introduce Kurzarbeit in Slovakia, the legislative background has to be prepared first. To put it simply, Kurzarbeit is a measure under which the state agency (Labour Office), which creates relevant provisions in the long-term, takes over the employer costs of salaries in the amount of 60 %. Conditions under which this scheme can be used are defined in detail (objective economic difficulties). Both small and large employers are entitled to claim the use of the scheme. An important condition is that the employer has to agree that once the stipulated period is over, all jobs will be preserved.

Thanks to the measures applicable during the pandemic, we have the option to lower the salaries to 80 % in Slovakia. However, these costs are borne by the employer. The Slovak government has already announced certain measures which will be based on the Kurzarbeit scheme. Currently, a general scheme is being discussed containing a state contribution in the share 60/20/20 (state/employee/employer).

Also in relation to the measure adopted by the EC, we recommend monitoring the development in this field closely.

TOP 2: LIQUIDITY SUPPORT: EXTENDED TAX RETURN FILINGS AND TAX PAYMENTS

The measures are specified mainly in the Act No. 67/2020

- **Income tax returns** with filing deadlines from 12 March 2020 until the end of the pandemic are being extended and the new "ordinary" filing deadline is uniform: the end of the calendar month following the end of the pandemic.

  To prevent the negative retroactivity in the case of overpayments, this provision should be specified in more detail, stating that if the tax return is filed any time during the pandemic, the deadline will automatically originate at the end of such a month. The tax will be due within the extended deadline, too. The tax administrator is obliged to return the tax overpayment within 40 days of this deadline. Where amended tax returns lead to the reduction of overpayments at a later point in time, stricter sanctions are proposed.

- The filing deadlines for the **report and the annual reconciliation for an employee issued by the employer** are being extended, too – until the lapse of the second month after the end of the pandemic. The tax will be due within this deadline, too, or the employer will return the tax overpayment within the same period.

- **Refund of corporate income tax overpayment**

  As stated above, corporate and personal income tax (of entrepreneurs) overpayments should be refunded within 40 days after the end of the month in which the tax return filing deadline lapses. *This approach has been confirmed both by the Finance Ministry and the Finance Directorate for the tax returns already filed until the end of March. A similar legal regulation is expected for the remaining period during the pandemic.*

- **Suspension of income tax advances**

  This measure has been published within the second aid package and should have been provided automatically during the pandemic based on a declaration of honour if the sales fall by more than 40%. This aid form has not been approved and made to law yet. However, it will be included in the third aid package. The stricter condition of sales decrease by over 40% should be applied through submission of a declaration of honour.

  In any case, it is also possible to apply for adjustment of tax advances payable and request the change of the due amounts (also the option to stipulate EUR 0). These requests will be handled individually, depending on the reasoning provided. According to our experience, the tax administrator applies a forthcoming approach. There is no filing fee for the request.

TOP 3: LIQUIDITY SUPPORT: DEFERRAL OF INSURANCE CONTRIBUTIONS

The measures are specified mainly in the Act No. 68/2020

There is an option to defer the social and health insurance contributions for employers and self-employed persons for the period 3/2020 until 31 July 2020. This deadline applies also to the payment. A precondition is reporting the decrease in net turnover or the decrease in business income and in income from other self-employment activities. The employer is obliged to file monthly statements with the social and health insurance providers within the standard deadline.

The government may extend the period by further months through a regulation. According to the informal information of the Labour Minister, it also plans to do so. The model notification of the decrease in sales is

already accessible at the websites of some authorities. Currently, it is available only in form of a declaration of honour.

TOP 4: LIQUIDITY SUPPORT: CREDITS AND GUARANTEES

The measures are specified mainly in the Acts No. 67 and No. 75/2020

Financial aid to support and maintain operation in SME in form of a guarantee for a credit granted by a bank (liability of the Finance Ministry) and/or payment of interest on a credit granted by a bank. Financial aid will be provided by the Export Import Bank of Slovakia and by the Slovak Guarantee and Development Bank.

To be provided the guarantee, SME have to meet conditions such as non-existence of social and health insurance arrears, non-existence of bankruptcy or restructuring proceedings, the company cannot provide employment agency services, the company may not be a temporary employment agency, and other conditions stipulated by a bank. If payments are made by the Finance Ministry based on the guarantee, the company will be obliged to repay the payments including the interest (liability towards the Finance Ministry).

A precondition for the **payment of interest** on a credit is maintaining jobs and the non-existence of social security liabilities as at the end of the period. Currently, also the amount of this aid is limited, namely by EU Regulations 1407/13 and 1408/13 (https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32014R0651&from=SK). However, it is expected that EU will loosen the conditions.

Measures in the field of deferrals of credit instalments

SME and natural persons - entrepreneurs

Deferral of credit repayment includes the deferral of credit amount instalments, of credit amount and interest or deferral of the credit due as a one-time payment. Deferral of instalments is to be requested by the debtor (applies only to the pandemic duration, max. 9 months bank, 3 months other creditors, filed requests can be extended).

The creditor is obliged to inform the debtor on the outcome of the request within 30 days. If the deferral request is refused, the creditor must give reasons.

The creditor may not request additional securities for the credit, payment of fees, costs or other charges (except for interest for the deferral period) and may not condition the deferral by further conditions.

The deferral of credit repayment has no impact on failure features, does not deteriorate the credit quality of the debtor and is not considered to be default.

We recommend verifying the conditions with the particular creditor prior to filing the request. Banks have to publish the information on this amendment and draw up a model request.

Individuals – credits granted to consumers

These include mortgages (including those granted before the Act No. 90/2016 came into effect) and consumer credits. Deferral of instalments is to be requested by the debtor (applies only to the pandemic duration, max. 9 months bank, 3 months other creditors, filed requests can be extended).

The creditor is obliged to inform the debtor on the outcome of the request within 30 days. If the deferral request is refused, the creditor must give reasons. The creditor has to inform the debtor about the impacts of the deferral (settlement of the interest, repayment continuation and other facts) within 2 months after the deferral request is approved.

The creditor may not request additional securities for the credit, payment of fees, costs or other charges (except for interest for the deferral period) and may not condition the deferral by further conditions.

The deferral of instalments under this measure will not be classified as payment default (no register entry).

We recommend verifying the conditions with the particular creditor prior to filing the request. Most banks have published their conditions and if proof of the deterioration of the financial situation is submitted, banks apply a forthcoming approach.

TOP 5: IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS

Under section 7 (3) of the Act on Accounting No. 431/2002, companies have to apply the same accounting methods and principles during the accounting period. **If the company finds out that the current accounting methods and principles do not provide a true and fair view of the facts, it is obliged to reconsider them.** Of course, this concerns also the impacts of COVID-19. Based on our experience, we recommend that non-financial companies analyse mainly depreciation plans and the going concern principle.

A. Depreciation plan

If production is interrupted or operation suspended, it is advisable that the company reconsider its current depreciation plan. Under the Act on Accounting and the Accounting Procedures, the company depreciates non-current assets taking into regard the physical and moral wear and tear. The depreciation period should correspond to the consumption of future economic benefits of the non-current assets.

Even though the Act on Accounting does not enable the suspension of accounting depreciation if the production or operation is interrupted and the assets cease to be used, there is a possibility to reconsider the depreciation plan and to adjust the depreciation rates or the remaining depreciation period of non-current assets under section § 20 (5) of the Accounting Procedures.

New accounting principles and methods have to be applied by the company from the first day of the accounting period in which the change was made. Information on these changes must be included in the Notes to the financial statements. Under IFRS (IAS 16), it is possible to apply e.g. a performance-based depreciation method, when the amount of costs is based on the expected use of non-current assets. This means that the depreciation charges may amount to zero if the company interrupts its production and the assets cease to be used.

B. Going concern

When preparing the financial statements, the company should follow the going concern principle, meaning that the financial statements have been prepared under the assumption that the company will continue its activities without interruption for at least further 12 months after the balance sheet date. Due to COVID-19, numerous companies may not be able to assess this assumption, but it is necessary to consider this fact when preparing the financial statements and to discuss possible ways how this uncertainty is reflected in the financial statements with the auditor or advisor.

Companies are obliged to inform on any doubts in relation to the going concern also in a separate paragraph in the Notes to the financial statements.

If the financial statements have not been approved before the pandemic outbreak, the rule applies also to the year 2019.

Deadlines

During the pandemic, the deadlines resulting from the Act on Accounting are considered to be met if the company meets the obligations it failed to meet until the end of the third calendar month following the end of the

pandemic or until the end of the tax return filing deadline under section 21 (1), depending on which of the deadlines lapses first.

TOP 6: VAT AND CUSTOMS DUTIES

In the VAT area, the state has taken a cautious approach. The deadlines for filing VAT returns and paying VAT remain unchanged. According to the interpretation of the Finance Ministry, late payment of VAT (section 10 Tax arrears, Act No. 67/2020) can be currently classified as sanctionable.

According to the information available to us, the legal regulations should be specified in more detail in this respect. We certainly do not recommend an unapproved deferral of VAT without consulting the tax administrator and without filing a request.

The law enables (and enabled also before the pandemic outbreak) filing a request for the remission of a missed deadline. This request brings a certain level of uncertainty, as the request is not filed in advance.

The taxpayer is first in default and the request is filed subsequently. This means that the taxpayer does not know whether sanctions will be imposed or not. In such a case the tax administrator handles each request individually and considers how serious the reasons are. Therefore, we recommend late payments only in justified cases, e.g. if the customers do not settle the invoices and there are no financial means available. Filing fees for the request have been abolished.

Excessive VAT deductions are refunded in the standard deadline without any delay.

*Also the possibility to include the **general shortening of the standard deadline for the excessive VAT deduction refund to 30 days** as part of the third package is being discussed (currently, this option is available only under certain conditions and the standard deadline is 60 days).*

In the field of customs duties, the life of entities has been made as simple as possible in terms of cash flow, considering the fraud risk. The approved measures include the suspension of enforcement procedures when collecting arrears and remission of sanctions for some violations of the customs law.

The proposed but still not approved measures include also the suspension of the maturity periods.

TOP 7: OPTION TO DEDUCT UNUTILIZED LOSSES

This measure is still being discussed by experts and once the comments are processed, the measure will be applicable in an adjusted form. It can be expected that the maximum amount of one-time tax loss deduction in the 2019 tax return will be limited to EUR 1 million. The deduction of tax losses would be applicable only to the part of tax loss which did not expire in the previous periods and will apply only if it is more favourable for the taxpayer than the current legal regulations.

TOP 8: FAILURE TO MEET DEADLINES AND SUSPENSION OF TAX PROCEEDINGS

Failure to meet deadlines

If the taxpayer fails to meet the deadline which lapsed during the pandemic, the deadline will be met if the missed act is performed by the end of the calendar month following the end of the pandemic.

WARNING: Not applicable to tax returns and tax payment.

Suspension of tax audits

Upon the request of the taxpayer, the deadline for the performance of the tax audit which started to lapse before the pandemic outbreak will be suspended. The request may be made by phone, too.

If the tax audit was suspended before the pandemic outbreak, it remains suspended also during the pandemic, even if the reasons for the suspension cease to exist. If an audit focused on the legitimacy of the excessive VAT deduction is performed, the tax administrator can issue a partial protocol and refund the undisputed part of the VAT. The audit is suspended through issuing the partial protocol.

In all cases, the deadline will start running after the end of pandemic and the period of suspension due to the pandemic will not be included into the period for the audit performance.

Suspension of the tax proceedings

The tax proceedings (e.g. assessment proceedings) which started before the pandemic may be suspended upon the request of the taxpayer. The request may be made by phone, too. The proceedings which started during the pandemic are suspended automatically after their opening date.

An exception are tax proceedings in which decisions on the refund of tax overpayment or claims under special regulations are made, e.g. refund of corporate income tax overpayment, refund of excessive VAT deduction, refund of VAT overpayment. These proceedings are not suspended.

TOP 9: STATUTES OF LIMITATION AND RIGHT TO COLLECT TAX

Time limits stipulating the period until which the tax administrator may start tax proceedings including audits, request additional tax etc. are frozen during the pandemic period.

TOP 10: ASSIGNING OF % OF PAID TAX

The deadline for employees is being extended and the employee can submit a statement on assigning the part of the paid tax until the end of the second calendar month after the end of pandemic.

During the pandemic, recipients of 2%/3% can use the part of the paid tax received for 2018 also to help lessen the negative impacts of the pandemic.

Also the extension of the deadline for using the 2%/3% is being considered:

- *funds received in 2019: until the end of 2021*
- *funds received in 2020: until the end of 2022*

Overview of approved and published laws:

1. Act No. **67/2020** on some extraordinary financial measures in relation to COVID-19 outbreak, published on 4 April 2020 and amended by the Act No. **75/2020,** published on 9 April 2020
2. Act No. **63/2020** on changes and amendments to the Act No. 461/2003 on social insurance as amended, published on 27 March 2020
3. Act No. **68/2020** on changes and amendments to the Act No. 461/2003 on social insurance as amended, published on 6 April 2020
4. Act No. **66/2020** on amendments to the Act No. 31/2001 Labour Code as amended, published on 4 April 2020

Useful links:

- https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-COVID-19-pandemic/

- https://www.etrend.sk/ekonomika/katarina-hoppe-pomoc-velkym-firmam-je-obmedzena-europskymi-pravidlami.html
- https://e.dennikn.sk/1848909/mozno-uz-opatrenia-zacat-uvolnovat-odpovedaju-miklos-kazimir-vasakova-novysedlak-a-10-dalsich-ekonomov/?ref=be&_ga=2.70967952.1225195398.1586796857-1896209176.1586796857
- https://www.pomahameludom.sk

For updated information please contact your Taxand team in Slovakia at www.bmb.sk.

34. SLOVENIA *(UPDATED 21.05.20)*

Slovenia has reacted to the COVID-19 outbreak through two legislative packs aimed at relieving the economic backlash by alleviating tax burdens, social security contributions, enabling a deferral of some loans, and other administrative actions. It should be noted that the measures imposed have to be read together with pre-existing legislation, since it provides the necessary base rules for the intervening legislation.

Moreover, the actions described below may be subject to specific conditions, which are not given. Therefore, the description of the actions is of an informative nature and special conditions may apply to any number of situations.

34.1. Tax measures

The main tax measures implemented in combating the COVID-19 outbreak are the Intervention Measures in the Fiscal Area Act (henceforth "IMFA") and the Intervention Measures to mitigate the effects of the SARS-CoV-2 (COVID-19) infectious disease epidemic on citizens and the economy Act (henceforth "COVID-19 Act") with the corresponding amendments.

General procedural measures

The deadline for submission of the yearly tax return (for corporate income tax – CIT and income from business activities – IBA) and annual report (comprising of the balance sheet, profit and loss account and other accounting documentation along with the business report) is extended from 31 March 2020 to 31. May 2020. If, however the business year of a business entity is not the same as the calendar year, the deadline for submission is extended for an additional 2-month period after 3 months have passed after the conclusion of the business year. However, the latter option is only possible in the case that the 3-month period is concluded when the IMFA rules are still applicable.

The deadline for payment of the tax stays the same and is 30 days from the date when the tax return was filed.

Deferral and payment in installments of tax

In the event of loss of ability to generate revenue from the COVID-19 epidemic, the applicant may apply:

- to defer tax for up to 24 months, or
- payment of tax in a maximum of 24 monthly installments over a period of 24 months.

It is important that deferral and installment payments are possible under law; e.g. for VAT calculation, payment of the annual tax return, inspection decision, personal income tax deductions and withholding tax (not applicable to social security contributions). The other main difference is that no interest is accrued in cases of deferral and installment payments.(Article 6 and 7 of IMFA)

Notification of the determination (or termination of determination) of IBA and CIT tax base subject to standardized expenditures

If the taxpayer wishes to declare the determination of the tax base in accordance with the standardized expenses for 2020, it can notify this in the IBA or CIT tax return for 2019 no later than 31 May 2020. The same applies to the notification of discontinuation of the assessment of the taxable amount, subject to standardized expenses.

Prepayment of IBA and prepayments of CIT

- automatic exemption

Taxpayers are exempt from prepaying the IBA and CIT installments which are due on the 10 Max 2020 (for April) and on the 10 June 2020 (for May). However, the unpaid installments are not deemed to have been accounted for, which means that taxpayers will be obligated to pay the tax for the two months, if the calculated tax (on a yearly basis) will be higher from the payed pre-payments.

For the prepayments of other tax months, the taxpayer may:

- File an application to reduce the prepayments due to the loss of ability to generate revenue because of the COVID-19 epidemic. The application will only need to be accompanied by an assessment of the tax base for the current year, as well as information proving the change in the tax base. In doing so, a taxpayer will not need to adjust its tax return for the current tax period before filing the application; or
- apply for either a deferral or payment in installments as under the point above.

Tax relief for COVID-19 donations

Taxpayers shall be eligible for an additional tax relief for donations to the governmental Anti COVID-19 accounts of Slovenia or other EU Member States. The tax relief applies for corporate income tax and for income tax on independent business activities of individuals. The tax base can be reduced by the amount of payments made to these accounts.

VAT

Among others COVID-19 Act introduces a temporary VAT exemption on delivieris and acquisition of protective and medical equipment within the EU. Deliveries of goods in the period from 13 March 2020 to 31 July 2020 shall be exempt from VAT with the full right to input VAT deduction if such goods are listed by the Governemtn of Slovenia and exempt from import duties and import VAT under the Comission Decision (EU) 2020/491 of 3 April 2020. The VAT exemption requires that:

- the goods are intended for distribution free of charge by qualifying organizations to persons affected by or at risk under COVID-19 outbreak or being made available free of charge to such persons, while remaining the property of the organization;
- the goods are imported by or on behalf of the qualifying organization, including state organizations such as governmental bodies, public bodies and other bodies governed by public law as well as organizations approved by the competent authority in the Member State of its domiciliation.

34.2. Employment and social security measures

The employment measures are aimed at alleviating employers of paying some of the social security contributions and providing payment for workers who are temporarily laid-off. This area is covered through the COVID-19 Act and the Act on the Interim Measure of Partial Reimbursement of Wage Compensation (henceforth “AIMPRWC”).

Employers who are eligible for these measures are those who are located in Slovenia. The only three exceptions are:

- direct and indirect beneficiaries of the state or municipal budget, whose revenue from public sources was higher than 70% in 2019,
- an employer carrying out a financial or insurance business belonging to Group K according to the Standard Classification of Activities and having more than ten employees as at 13 March 2020, (except for employers who have more than 10 employees on the 13. March 2020)
- foreign diplomatic missions and consulates, international organizations, representations of international organizations and institutions, bodies and agencies of the European Union in the Republic of Slovenia.

Temporary lay-off aid

Under Slovenian legislation an employer may send an employee on mandatory leave of absence also known as a temporary lay-off, for reasons of not being able to provide sufficient work, wherein the employer is obligated to pay the employee an 80% salary (other conditions also apply).

If an employer is unable to provide work for its employee, then the employer is eligible to receive a refund of the 80% salary. Moreover, the employer has to calculate but not pay the applicable social security contributions to that salary. The same option applies for employees who cannot go to work for reasons of a "higher force" which resulted by the COVID-19 epidemic such as the inability to procure care for their child, or other objective reasons (such as the inability to come to work for reasons of a closed border).

It should be noted that the refund is capped at the monthly average wage of a Slovenian worker.

Moreover, for the employer to be eligible for a refund, the (gross) income in the first half of 2020 will have to have fallen for 10% with respect to 2019. If an employer started out its business in 2019 or 2020, reference will have to be made to the average monthly income, which must have decreased by more than 10% in 2020 as compared to the average monthly income in 2019 or 2020.

In case that actual net revenues as reported in the annual reports for 2020 dropped by less than 10 %, the employer would have to repay the aid. However, no default interest shall be charged in this case.

Social security coverage

- Full exemption of social security payments for temporarily laid-off workers and force majeure home-stuck workers

Employers are expressly exempt from paying the social security payments for employees who are temporarily laid-off and force majeure home-stuck workers.

- Partial exemption of payment of social security contributions for retirement and disability insurance

All employers who have active employees, with a pay which is not greater than three times the minimal wage, are exempt from payment of the contribution for retirement and disability insurance. However, employers are obligated to pay a 200 EUR additional payment wherein an employer was exempt from payment of the abovementioned contribution.

Moreover, employers are also granted the same exemption for employees who are absent from work and the compensation for the absence falls on the employers (vacation, sick leave of up to 30 days).

- Coverage of payments for employees on sick leave

Employees who are on sick leave for 30 days are eligible for salary compensation (sick leave compensation), which is payed either by the employer or (in some exceptional circumstances) has to be borne by the employee (after the 30 day period the sick leave compensation is covered by the State). Under the COVID-19 Act all employees who are on sick leave will receive their sick leave compensation from the State rather than from the employer (or from themselves).

- Automatic deferral of social security contributions (sole proprietors)

Sole proprietors who have no other employees (and this sole proprietorship is their only basis of inclusion into compulsory social insurances) shall be granted an automatic deferral of contributions due in April, May and June 2020. The outstanding contributions must be paid by the beneficiary by 31 March 2022 at the latest. Payment can be made in a lump sum or in installments, and in case of payment of all contributions until 31.3.2022, no interest on late payment of interest will be payable.

The proposed measure will not qualify for those sole proprietors who have inter alia outstanding liabilities to the State (which may be tax, excise duties, customs or even non-tax (administrative fees, traffic offenses, etc.)) due by 28.2.2020 and which are higher than 50 euros and ware not payed by the 6 April 2020. This means that a beneficiary who still has outstanding obligations that are due by the 28 February 2020 can settle them by 6 April 2020 and will automatically be granted a deferred payment of contributions.

- Exemption of social security contributions (sole proprietors)

Sole proprietors may also opt for the exemption of social security contributions for March (partially), April and May 2020. Specifically, social security payments from 13 March 2020 (due on 20 April), April (due on 20 May) and May (due on 20 June) will be exempt. If the sole proprietors will want to apply for the exemption for March and April, a special form will have to be filed until the 31 April 2020, while another form for the May social security contributions will have to be filed until the 31. May 2020.

Those social security contributors must provide a declaration that they cannot carry out the activity or that they can perform it, however with a substantially reduced extent because of the epidemic. Eligible persons are sole proprietors whose income will decline by more than 10% in 2020 compared to 2019. In case that this condition will not be met, the beneficiaries will have to return the full amount. As with the automatic deferral the sole proprietorship is the beneficiary's only basis of inclusion into compulsory social insurances. Moreover, exemptions from compulsory social security contributions will not be eligible if they have outstanding tax obligations on the day of filing for the exemption.

34.3. General restriction

- Ex-post barrier to profit distribution and profit distribution related payments.

With respect to the eligible persons who voluntarily applied for the aids mentioned above (companies who have claimed reimbursement of salary compensations or exemption from contributions for temporarily laid-off employees; self-employed individuals, who claimed the exemption form self-employment contributions or for exceptional support in the form of a monthly basic income):

Profit distributions, purchase of own shares, bonus payments or performance-related salary payments to management are not allowed (otherwise the aid granted will have to be returned). The restriction applies to payments in the period from 11 April 2020 to 31 December 2020 and extends now to payments made after 31 December 2020 if related to 2020.

- State aid

State aid may not be granted to undertakings that have been in difficulties on 31 December 2019. The combined amount of state aid may not exceed EUR 800.000 per a "general" undertaking (entity); EUR 120.000 per undertakings in the fishery and aquaculture sector; and EUR 100.000 per undertaking in the primary production of agriculture products. Moreover double financing of the same eligible costs is not allowed.

34.4. Other relevant legislative amendments (*in summary*)

- The possibility to request for a deferral of a loan payment, from a bank or a subsidiary located in Slovenia.
- Request for a one-time aid payment ranging from 150 to 700 EUR.

Useful links:

The unofficial consolidated versions of the above-mentioned acts:

- Intervention Measures in the Fiscal Area Act link.
- Intervention Measures to mitigate the effects of the SARS-CoV-2 (COVID-19) infectious disease epidemic on citizens and the economy Act link.
- Act on the Interim Measure of Partial Reimbursement of Wage Compensation link.
- FAQ of the Slovenian Financial Administration regarding tax and tax associated measures (social securities) of the COVID-19 legislative measures link.

For updated information please contact your Taxand team in Slovenia at: www.leitnerleitner.com/en/si

35. SOUTH KOREA *(UPDATED 08.04.20)*

35.1. Tax measures

1. Tax credit for landlords (both individual and corporate landlords) who reduce the rent
   - For commercial property landlords who reduce the rent receivable from small business owner lessees during the period January-June 2020, an amount equal to 50% of the reduction in rent is deductible from the personal income tax ("PIT") / corporate income tax ("CIT") liability of the landlords.
2. PIT/CIT reduction for small and medium businesses in the "Special Disaster Areas"
   - Reduction of PIT/CIT payable by small and medium businesses that have a place of business in the areas that are heavily affected by COVID-19 and are therefore designated as the "Special Disaster Areas" (currently include Daegu and a number of cities in Northern Gyeongsang Province), with respect to income generated from those places of business.
3. Expansion of the scope of tax support for offshore enterprises that return to Korea
   - The PIT/CIT reduction is also available for offshore enterprises that close or reduce their overseas place of business and expands an existing place of business in Korea. This is to provide support to offshore enterprises that return to Korea.
4. Value-added tax ("VAT") reduction for small businesses owned by individuals
   - Reduction of VAT for small individual-owned businesses with an annual turnover of KRW 80M (excluding VAT) or less.
5. Exemption from liability to pay VAT for "simplified VAT taxable person"
   - Liability to pay VAT is exempted for simplified VAT taxable persons whose annual turnover is KRW 30M or more but less than KRW 48M.
6. Temporary reduction of special consumption tax for car purchase
   - 70% of the special consumption tax is exempted for cars purchased between March and June 2020 (i.e., cars taken out from the manufacturing facility or cars for which the import declaration is filed, between March and June 2020).
7. Temporary increase in the deduction % for use of credit cards, etc.
   - The deduction (deduction against employment income derived by an employee) % is doubled for amounts paid with a credit card, etc. between March and June 2020.
8. Temporary increase in the deductible amount limit with respect to entertainment expenses
   - For entertainment expenses, the deductible amount limit is temporarily increased: 0.35% up to KRW 10bn, 0.25% from KRW 10bn up to KRW 50bn, and 0.06% for amounts exceeding KRW 50bn.

For updated information please contact your Taxand team in South Korea at http://www.yulchon.com.

36. SPAIN *(UPDATED 21.05.20)*

36.1. Tax measures

- ***Royal Decree-Law 7/2020: Suspension of payments for SMEs***

  Royal Decree-Law n° 7/2020 dated March 12th, 2020 on urgent measures taken to alleviate the economic effects of Covid-19 was published on March 13th, 2020.

  These measures are applicable as of the publication of the decree and will continue to apply as long as the Government considers that the circumstances so require.

  The decree introduces the **possibility of deferring tax payments** for companies meeting the following conditions:

  - The taxpayer's **turnover for the year 2019** does not exceed **€ 6,010,121.04**;
  - The **amount of taxes due** shall not exceed € 30,000; and
  - Tax payments under the scope of this deferral are those due, by assessment or self-assessment, between **March 13th and May 30th, 2020**.

  Taxpayers meeting these conditions may defer payment of their taxes, including withholding taxes, payments on account, VAT and CIT prepayments (which are usually excluded from the possibility of any deferral).

  The deferral **will apply for 6 months** and no interest will accrue during the first 3 months of deferral.

  The Spanish tax authorities have also issued **provisional instructions** authorizing the deferral under the Decree.

  Taxpayers wishing to request the deferral must submit, in the usual manner and in due time, a self-assessment of the amounts payable by the taxpayer that they wish to defer, by ticking the "acknowledgement of debt" option (*reconocimiento de deuda*).

  A series of practical recommendations regarding the submission of the form are available on the website of the Spanish tax authorities.

- ***Royal Decree-Law 8/2020: Tax Measures after the declaration of the State of Alarm***

  Royal Decree 463/2020, of March 14th, 2020, published on the Official State Gazette of March 14th, declared the State of Alarm. In this Royal Decree it was stated that for all court orders under procedural laws, the time limits have been suspended and the time periods have been interrupted. These time periods will resume when the Royal Decree or any of its extensions cease to be in force.

  This Royal Decree has also suspended the time limits and interrupted the time periods for handling all the procedures of public sector entities, except for time limits and time periods corresponding to taxes, as confirmed by the **Royal Decree 465/2020,** of March 17th 2020 (published on March 18th), which has amended the Royal Decree 463/2020. Time limits and time periods corresponding to taxes have been amended in Royal Decree-Law 8/2020 mentioned below.

  The March 18th, 2020 edition of the Official State Gazette has published **Royal Decree-Law 8/2020** of March 17th, 2020 on urgent and extraordinary measures to confront the economic and social impact of COVID-19. The Royal Decree-law comes into force on its publication date, for a one-month term, and allows this term to be extended. We summarize below the main measures affecting businesses.

Tax related measures are the following:

- **Suspension of tax time periods**:

  - Lengthening of time periods in administrative procedures:

    The time periods mentioned below are lengthened **until April 30th, 2020**, if they had not ended on the date of entry into force of this royal decree-law (i.e. March 18th, 2020):

    - The time periods for payment of tax debts in the voluntary period of tax debts (voluntary payment) or after the enforced payment period has commenced (enforced collection procedures after the notification of the order, so called *providencia de apremio*).

      In other words, **the time periods for filing and paying self-assessments** under article 62.1 **have not been lengthened or been affected** in any way (ongoing tax returns such as withholding taxes, prepayments, VAT, etc.).

    - The expiry dates for time periods and split payments under deferred and split payment agreements that have already been granted.

    - The time periods related to auctions and allocations of property that are referred to in article 104.2 and article 104 bis of the General Collection Regulations.

    - Certain "administrative procedural periods": Time periods for complying with demands, attachment orders and requests for information with tax relevance, together with the time periods for submitting pleadings in relation to decisions commencing the period for pleadings or for inspection of the case file and comments by the taxpayer in the following procedures: procedures for application of taxes, penalty procedures, procedures for a null and void declaration, procedures to claim refunds of incorrectly paid tax and procedures for correction of administrative errors and revocation.

    - The time periods for foreclosure of real estate collateral in the context of administrative enforced collection procedures.

    - The time periods for complying with demands and requests for information from the General Directorate of the Cadaster.

    It delays until **May 20th, 2020** (unless the time periods granted by the royal decree-law are greater, in which case these time periods will be applicable) the expiry dates of the time periods listed above if notified on or after the date of entry into force of the royal decree-law (i.e. March 18th, 2020). The extension for "administrative procedural periods" until the referred date (May 20th) is limited to demands, attachment orders, requests for information or decisions commencing the period for pleadings or for inspection of the case file and comments by the taxpayer, and communications from the Directorate General of the Cadaster

    All of the above must be interpreted without prejudice to the specific provisions in customs legislation on time periods for pleadings and fulfillment of demands or requests. In this field, no periods are lengthened or procedures modified by this Royal Decree-Law 8/2020.

    In any event, the party with tax obligations may fulfill those obligations within the original time period, without this preventing the formalities being deemed completed.

  - Calculation of time periods relating to the maximum length of procedures for application of taxes and of statute of limitations period:

    It provides that the period between the entry into force of the royal decree-law and April 30th, 2020 will not be included for the purpose of calculating the maximum length of any procedures for application of taxes, penalty and review procedures conducted by AEAT; or of any procedures commenced by the Directorate General of the Cadaster.

The authorities are allowed, however, to continue with ordinary conduct of tax procedures, by being recognized the power to set in motion, order and carry out any steps they consider absolutely necessary and make notifications, demands, requests for information or grant periods for inspection of case files and comments. It must be taken into account, however, that, as mentioned in the preceding section, the periods for fulfillment of these steps by the taxpayer have been lengthened until April 30th or May 20th, depending on the case concerned.

Along the same lines, it provides that the period between the entry into force of the Royal Decree-Law 8/2020 and April 30th, 2020 will not be included for the purpose of calculating statute of limitations periods (article 66 of the General Taxation Law) or time bars for tax purposes.

For the sole purpose of calculating the statute of limitations periods mentioned above and those relating to appeals for reconsideration and economic-administrative proceedings, the decisions bringing them to an end will be deemed notified where it is evidenced that any single attempt was made at notification between the entry into force of the royal decree-law and April30th, 2020. The time period for lodging economic-administrative appeals or claims against tax acts and for appealing in the administrative jurisdiction against decisions rendered in economic-administrative proceedings will not start to run until the end of that period or until the notification has taken place, if this notification is made later.

- **Measures in the customs field:**

  To speed up customs formalities for imports in the industrial sector, so as to prevent effects on the supply chain of goods from third countries or a halt in exports, it provides that the person in charge of the department of customs and excise and other special taxes at the AEAT will be able to order that the declaration procedure and customs clearance must be conducted by anybody or public official from the customs and excise and special taxes division.

- **Other tax measures: exemption in relation to transfer and stamp tax for mortgage transactions:**

  New exemption from Stamp Tax on notarized documents for any deeds recording contractual novation of mortgage loans and credit facilities drawn up under the royal decree-law. Royal Decree-Law 11/2020 mentioned below clarifies that this exemption is applied only in cases relating to the moratorium on payment of the mortgage debt for the purchase of the principal residence, regulated by Royal Decree-Law 8/2011.

- ***Royal Decree-Law 11/2020: Complementary Tax Measures to those approved by the Royal Decree-Law 8/2020***

  At the view of previous Royal Decrees published and Royal Decree-Law 8/2020, some doubts arose regarding the scope of measures adopted in the field of tax procedures. Royal Decree-Law 11/2020 rectifies and clarifies the doubts and extends the provisions of measures. In this sense:

  - **Suspension of tax periods**

    The suspension of tax time periods introduced by Royal Decree-Law 8/2011 referred only to tax steps and procedures corresponding to the State Tax Agency. Now, this suspension is extended to the tax steps and procedures of the same type carried out or conducted by autonomous community governments and local government authorities.

    It is also clarified that this suspension applies to procedures that started to be conducted before the entry into force of Royal Decree-Law 8/2020 (this clarification made to cover days between the declaration of the state of alarm in March 14th and the entry into force of Royal Decree-Law 8/2020 in March 18th).

- **Calculation of time periods for lodging appeals for reconsideration and economic administrative claims**

  It is also clarified that, between the entry into force of the state of emergency (March 14, 2020) and April 30, 2020, the time period for lodging appeals for reconsideration or economic administrative claims governed by the General Taxation Law, and its implementing regulations, will start to run from April 30, 2020, in cases where the time period had already started running and had not ended on March 13, 2020, and also where the administrative act or decision that is the subject-matter of the appeal or claim had not yet been notified.

- **Calculation of time periods relating to the maximum length of procedures for application of taxes and of the statute of limitations period.**

  Royal Decree-Law 8/2020 provided that the period between its entry into force (March 18th, 2020) and April 30th, 2020 will not be included for the purpose of calculating the maximum length of any procedures for application of taxes, or penalty or review procedures conducted by the State Tax Agency; or of any procedures commenced by the Directorate General of the Cadaster.

  RDL 11/2010 requires this period to run between the entry into force of Royal Decree 463/2020 that declared the state of emergency (on March 14, 2020) and April 30, 2020, and for that period not to be included for the purpose of calculating the maximum length of the time period for enforcement of decisions of the economic-administrative tribunals.
  With the same aim, RDL 11/2020 provides that, between the entry into force of Royal Decree 463/2020 (March 14, 2020) and April 30, 2020, all statute of limitations periods and time bars for any actions or rights contemplated in the tax legislation are suspended.
  Those provisions will apply to procedures, steps and formalities governed by the General Taxation Law (and its implementing regulations) carried out and conducted by the Spanish state tax agency, by the ministry of finance, or by the tax authorities of autonomous community governments and local governments.

- **Deferred customs debt regime for small and medium-sized companies, the self-employed and other individuals**

  As mentioned above, Royal Decree-Law 7/2020 set out a deferral regime with no guarantees for the debts of small and medium-sized companies and the self-employed for a six-month period and with reduced interest.

  Now, in relation to the payment facilities that the Union Customs Code contemplates in article 112, it allows this regime to be broadened to the customs and tax debts relating to customs declarations.

  This deferral regime applies to customs and tax debts relating to customs declarations filed between April 2 and May 30 in amounts above €100 and limited, in aggregate, to €30,000 (assessed import VAT that is collected by being reported on the periodical VAT returns under the system known as “deferred import VAT” is expressly excluded from this deferral regime).

  Only customers of the imported goods which are individuals or legal entities that in 2019 had a volume of business below €6,010,121.04, will be eligible for this deferral regime.

  The application must be made on the customs declaration itself and notified in the manner specified for notifying the customs debt. The guarantee associated with the clearance process will be valid for obtaining the deferral, and will cover the payment of tax and customs debts until the person required to do so has complied in full with the granted deferred payment. There is an option to apply for deferred payment of the customs debt without needing to provide the relevant guarantee if serious economic or social difficulties may be inferred from the debtor’s situation.

The deferral will be granted for six months; and no late-payment interest will accrue for the first three months of deferral.

- **Suspension of assessment of VAT and of excise taxes on electricity and on hydrocarbons on the bills for electricity, natural gas and petroleum products**

  Electricity and natural gas retailers and distributors of manufactured gases and piped liquefied petroleum gases are exempt from obligation to assess and pay over VAT and, where relevant, the excise tax on electricity and the excise tax on hydrocarbons relating to bills with suspended payment, until the customer has paid them in full, or six months have run from the end of the state of emergency.

- ***Royal Decree-Law 14/2020: New deferring of periods for filing tax returns for small and medium enterprises and the self-employed***

  As mentioned, Royal Decree-Law 8/2020 suspended tax time periods; but time periods for filing and paying self-assessments were not lengthened or been affected in any way (ongoing tax returns such as withholding taxes, prepayments, VAT, etc.). Nevertheless, on April 15, new Royal Decree-Law 14/2020 has lengthened time period for filing and paying certain self-assessments.

  The following conditions must be met:

  - The extension of time periods only affects tax obligations corresponding to the State Tax Agency (so, not including local taxes and taxes approved or managed by the Autonomous Communities, which follow their own time periods rules).
  - Only taxpayers with a volume of transactions up to Euro 600,000 in 2019 will be entitled to this extension. The following taxpayers are expressly excluded, regardless their volume of transactions:
    - Tax Groups for corporate income tax purposes.
    - VAT Tax groups.
  - The extension of time periods affect self-assessments which should have been filed from 15 April to 20 May 2020, except for those made under Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013, laying down the Union Customs Code.
  - The self-assessments may be filed up to the 20th of May, unless the taxpayer decides to pay the corresponding amount by direct debit, in which case the time period finalizes in the 15th of Many (although the transfer will be charged in any case in the 20th of May).

- **Royal Decree-Law 15/2020***: New lengthening of tax periods, measures aimed at reducing taxation of self-employed and small and medium enterprises and new VAT rate for books in digital format*

  This Royal Decree-Law has introduced new tax measures:

  - First of all, it establishes that all rules established in Royal Decree-Law 8/2020 and Royal Decree-Law 11/2020 related to time periods, suspensions and similar questions (for which various tax periods were extended up to the 30th o April or up to the 20th of May), are now referred to the 30th of May. See our summaries above about the referred Royal Decree-Laws.

- As regards taxation of self-employed and small and medium enterprises, various measures are introduced, aimed at adapting their taxation to their actual income (considering the reduction of that income under the current situation):

  - Payments in account of Corporate Income Tax: Taxable persons subject to Corporate Income Tax must make three payments in account of Corporate Income Tax in April, October and December.

    When the net revenues of the taxpayer in the preceding fiscal year is over Euro 6 million, these prepayments must be calculated on the taxable base of the months to which the prepayments are referred ("taxable base method"). Taxpayers with net revenues below that amount are not obliged to calculate the prepayments in this way, but on the last declared gross corporate income tax debt ("tax debt method"). Nevertheless, these taxpayers may opt to apply the "taxable base method" in February (if the fiscal year is the calendar year) or in the first two months of the fiscal year (in other case). It happens that in February 2020, the State of Alarm had not been declared yet, and many small and medium enterprises did not make the corresponding option. It means that in the prepayments to be made in 2020, they must apply the "tax debt method", which implies that prepayments will not align the final corporate income tax debt.

    The measure adopted is that these companies may apply for the "taxable base method" in the April prepayment, which deadline was extended to the 20th of May by Royal Decree-Law 14/2020 mentioned above for companies with a volume of transactions up to Euro 600,000 in 2019. Companies between Euro 600,000 and Euro 6,000,000, which made this prepayment in the 20th of April, may apply for this "taxable base method" for the remaining 2020 prepayments in October 2020 (and the prepayment made in April may be credited against the two remaining ones).

  - Individuals who perform a business activity must determine their income (for personal income tax purposes), in general, under the so called Direct Estimate Tax Regime, which considers true income and expenses. Nevertheless, and provided that some conditions are met, some individuals may use the so called Objective Assessment Scheme. Under this Scheme, income is calculated considering flat rates per units. The option for applying this Objective Assessment Scheme may be waived but the waiving of this Scheme (which may be made up to the first payment in account of Personal Income Tax) implies applying the Direct Estimate Tax Regime during three years.

    The measure adopted is that the option for the Direct Estimate Tax Regime (through the waiving for the Objective Assessment Scheme) may be made just for 2020 in the first 2020 payment in account, provided that this waiving is revoked in December 2020 or in the first prepayment to be made in 2021.

    For those individuals who opt to continue on the Objective Assessment Scheme, the flat rates per unit (which are in general calculated considering all the days within the corresponding quarters), will not consider those days in which the state of alarm has been in force.

- Finally, the Royal Decree-Law equate VAT rates applicable to books in standard digital format to that of books in paper form; so, 4% rate will apply. The conditions for this reduced rate to apply are the same in both cases. Mainly, the books must not mainly contain advertising (this requirement will be deemed to be met when more than 90% of editor´s income come from advertising –before, 75%-).

- **Royal Decree-Law 16/2020: Procedural measures to speed up judicial proceeding once the state of alarm is terminated**

  Considering that proceedings have been suspended during the state of alarm, and the likely increase in the litigation rate (due to all measures approved during the state of alarm), this new Royal Decree-Law introduces procedural measures aimed at speeding up judicial proceeding after the termination of the state of alarm. Mainly:

  - The month of August is partially converted into a working period. Particularly, days from 11 through 31 of August are declared valid for judicial proceedings.
  - Computation of time periods for judicial proceedings which were suspended at declaring the state of alarm in the 14th of March of 2020, will be restarted from the first day. The computation of these periods will begin the immediate day after the suspension of every time period is ended. Although the Royal Decree-law contains no reference in this regard, it seems that the restart will begin the first working day once the state of alarm ceases.
  - Time periods for announcing, preparing, formalizing or interposing claims against court judgements and other resolutions which terminate proceedings are extended for equal time periods to those established in the regulation corresponding to each kind of claim. This extension will be applicable both to (i) court judgements and resolutions notified during the state of alarm suspension, and to (ii) those notified during the 20 days after the termination of that suspension (except for very specific cases).

  The Royal Decree-law introduces other corporate measures and measures related to insolvency/bankruptcy proceedings, which may have tax impacts. Mainly:

  - Within corporate measures, it is stated that losses generated in 2020 will not be considered when determining whether a Company is in the event of dissolution required by Law. The main tax implication of this measure is that it will prevent companies from being removed from tax groups for corporate income tax purposes (Corporate Income Tax Law says that a company is required to leave a tax group when it is in the event of dissolution required by Law at closing, provided that this situation is not solved during the following fiscal year, in which the corresponding annual accounts are approved).
  - Within measures related to insolvency/bankruptcy proceedings, it is said that up to the 31st of December of 2020, debtors which are in an insolvency situation will not be obliged by Law to seek assistance in order to be declared bankrupt; besides, applications for involuntary bankruptcy proceedings will not be admitted during that period (even in case of applications made during the state of alarm). This measure will imply avoiding or delaying bankruptcy declarations, which will also prevent companies from being removed from tax groups for corporate income tax and VAT purposes. On the other side, it will reduce cases in which (i) provision for loan losses will be deductible for corporate income tax purposes or in which (ii) output VAT may be recovered (corporate income tax Law says that provisions for loan losses are deductible when the debtor is declared in a bankruptcy situation at closing and VAT Law says that output VAT may be recovered when the debtor is bankrupt).

- ***Royal Decree-Law 17/2020:* tax measures to support donations and the cultural sector**

  This Royal Decree-Law has introduced the following tax amendments:

  - **Tax credit for donations**: Applicable since January 1, 2020, a higher tax credit is available for donations made by individuals and by nonresident income taxpayers operating in Spanish without a permanent establishment.
  - **Corporate income tax credit for investments in cinematographic productions and audiovisual series**: Also with effect from January 1, 2020, changes have been made to tax incentives related to film production:
    - One is the inclusion of short films among the investments giving entitlement to that tax credit.
    - On the other hand, an increase to tax credit percentages has been approved:
      - To 30% (from 25%) on the first million euros of the tax credit basis.
      - To 25% (from 20%) on amounts in excess of a million.
    - The maximum tax credit amount has also been brought up to €10 million (from €3 million).
    - Under the corporate income tax law, until now the amount of that tax credit, together with any other received aid, could not be above 50% of production cost. This limit went up to 60% (i) for cross-border productions funded by more than one EU member state with the participation of producers from more than one member state, and (ii) for productions directed by a new filmmaker with a budget of €1 million or lower (this last case has been removed). The cases qualifying for a higher limit on the tax credit (together with other aid) have now been extended, and this limit has been raised in a few of those scenarios as follows:
      - 85% for short films.
      - 80% for (i) productions directed by a person who has not directed or codirected more than two feature films classified for their commercial use at cinema halls, and with a production budget of €1,500,000 or lower, (ii) productions filmed entirely in any of the official languages in Spain other than Castilian Spanish and which are shown in Spain in that official language or with subtitles; and (iii) productions directed exclusively by individuals with a disability level equal to or higher 33 percent recognized by the competent body.
      - 75% for (i) productions made exclusively by female directors, (ii) productions with a special cultural and artistic value needing exceptional funding support as determined by criteria determined by ministerial order or in the relevant aid programs, (iii) documentaries, and (iv) animation works with a production budget of €2,500,000 or lower.
      - 60% for (i) cross-border productions funded by more than one EU member state with the participation of producers from more than one member state (this case has not been changed from how it was before) and (ii) international coproductions with Latin American countries.
    - Both the increased tax credit percentages mentioned above and the maximum tax credit amount can also be claimed for expenses incurred in making foreign productions (article 36.2 of the Corporate Income Tax Law). In these cases, the tax credit may be claimed if those expenses are €1 million or lower. However, for preproduction and postproduction expenses incurred in Spain in respect of animation and visual effects, the limit has been set at €200,000.

- **Events of exceptional public interest**: The Royal Decree-Law classes as events of exceptional public interest, for the purposes of the special tax regime for not-for-profit entities and on tax incentives for patronage various events such as “Alicante 2021. Starting point of the Ocean Race” or “Spain as guest of honor at Frankfurt Book Fair”. Additionally, it extends the duration of programs for various events which were already declared as events of exceptional public interest, such as “Program for preparation of Spanish athletes for the Tokyo 2020 Games”, which has been extended until December 31, 2021, or “5th centenary of the first circumnavigation of the Earth made by Ferdinand Magellan’s and Sebastián Elcano’s expedition”, which has been extended until December 31, 2022.

- **VAT and custom duties exemption: Notes of the Customs Department and Royal Decree-Law 15/2020**

  The Customs Department has published several notes (access here), in which it establishes reliefs of custom duties and VAT exemption for imports of goods, necessary for medical treatment of individuals affected by COVID-19 and for avoiding the spread of viruses.

  The reliefs and exemption applied initially only to imports made by public entities or by authorized private entities with charitable or philanthropic purposes. Nevertheless, these reliefs and exemptions were later extended to any kind of operator, provided that goods are imported to be donated to the former entities. For the referred benefits to apply, several requirements must be met. Among others, (i) the importer must provide evidence of the donation and of the effective receipt of the goods by the donee; besides (ii) the importer must count on an administrative authorization which permits the acquisition of the goods under such exemptions and reliefs (issued by the Delegation or Administration of the State Tax Agency which is competent depending on the tax domicile of the importer), and finally, (iii) if the importer is a private entity, it must provide a guarantee.

  The referred measures are supported on the European Commission 2020/491 on 3 April 2020, on relief from import duties and VAT exemption on importation granted for goods needed to combat the effects of the COVID-19 outbreak during 2020.

  These measures, nevertheless, raised the issue of discrimination between goods imported and goods acquired in Spain or intra-community acquisitions. In order to eliminate this discrimination, article 8 of Royal Decree-Law 15/2020 has established a temporary measure (up to de 31st of July of 2020), according to which 0% VAT rate will apply to internal supplies, imports and intracommunity acquisitions of sanitary products (those listed in an Annex to the Royal Decree-Law), provided that the acquiring party is a public entity, a private entity with charitable or philanthropic purposes or a clinic or hospital (with no distinction between private or public centers). For the sake of facilitating the documentation of these operations, it is said that invoices should be issued as if a VAT exemption applied. This “presumed” exemption does not limit deduction of input VAT.

  Considering the wording of this article 8 and the Explanatory Memorandum of the Law, it seems that:

  a) Input VAT on goods acquired to be donated or sold to public entities, private entities with charitable or philanthropic purposes and clinics or hospitals, will be deductible.
  b) Output VAT on the donations or supplies of those goods to those recipients will be “0”.
  c) No input VAT but also no custom duties will apply (exemption) on imports of goods imported to be donated to the same kind of donees (provided the requirements established for such purposes are met).

- ***Measures approved by autonomous community governments and local government authorities***

  All measures explained above has been adopted by the Government of Spain and applies in general to all Spanish Territory. Nevertheless, there are state taxes managed by the autonomous communities, and also autonomous communities and municipalities have their own taxes. Finally, there are various provinces and autonomous communities in Spain (those of the Basque Country and Navarra) which applies their own legislation for any kind of taxes (including corporate income tax, personal income tax and others).

  Since the declaration of the state of alarm, autonomous community governments and local government authorities have been adopting measures (through Decrees, Orders, Instructions and other instruments) aimed at helping companies and individuals during this period. The measures are not homogeneous and they are even changed from time to time. In general, it could be said that autonomous community governments and municipalities are deferring tax declarations and payments to a larger extent that it is being done by Spanish Government as regards “national” taxes.

Useful links:

For updated and complete information on tax, corporate, labor, finance, insolvency and any other matters, please contact your Taxand team in Spain at https://www.garrigues.com

37. SWEDEN *(UPDATED 14.05.20)*

The Swedish government has announced the implementation of legislative reforms to protect businesses from the effects of the Covid-19 virus[22].

37.1. Tax measures

- The Tax Agency will have a possibility to grant companies a respite with payments of withheld wage tax, social security contributions and VAT.
- A respite may be granted for reporting periods (*i.e.* months) within the period January – September 2020.

  A respite may be granted for up to **three reporting periods** and the respite is valid for **up to one year.**

  For companies that report VAT on a quarterly basis, respite may only be granted for one reporting period.

  Companies reporting VAT on an annual basis can get a respite with payments made/to be made in the period 27 December 2019 through 17 January 2021.
- For granted respites, a **special respite-fee** will be levied.

  The fee is **0.2% per month** of the respite amount and is to be paid when the respite ends. Each application for a respite will be judged by its own merits. No fee will be levied for the first six months of respite.

  Companies that chose to apply for a respite should be aware of the respite-fee, which will be due for payment when the respite ends.

  The company would also have to pay interest at a rate of **1,25 %** (in addition to the respite-fee).
- Free parking at the place of work provided by the employer is tax free in the period April through December 2020.
- The employer can give tax-free gifts of a maximum value of SEK 1,000 per employee in the period June through December 2020. However, this is not applicable for gifts in the form of cash or other forms that can be converted to cash. Such gifts are still seen as taxable salary.
- The Tax Agency has stated that it is their opinion that
  - The application of tax exemption for work abroad due to the six-month or one-year rule will be applicable for work abroad even if the period abroad is interrupted due to Covid-19.
  - The special tax relief for foreign experts will be applicable even if the individual's salary should temporarily fall below the minimum threshold due to part-time lay-offs due to Covid-19.
  - Temporary work from home in Sweden due to Covid-19 quarantine should not constitute a permanent establishment.

37.2. Social measures

- **The State may grant a support** to employers whose employees temporarily reduce their working hours (short-term temporary lay-offs) with 20%, 40% or 60%.

  The support covers cash salary in the period 16th March through 30 September 2020.

  Applications are to be made on-line at https://tillvaxtverket.se/.

[22] *Ministry of Finance press release of March 16th, 2020, "Crisis package for Swedish businesses and jobs".*

For May, June and July 2020, it will be possible to get support for reduction of working hours with 80%.

- Employer social security contributions are reduced from 31.42% to 10.21% for March, April, May and June 2020. The reduction is limited to a maximum salary of 25,000 SEK for up to 30 employees per employer. The maximum cost saving is 5,302.50 SEK/employee/month.
- The **requirement for a medical certificate** from the 7th day of a period of illness is temporarily set aside from March 13th 2020.
- The State will refund employer's costs for sick pay (including social security contributions) for April and May 2020.
- Temporary reliefs regarding qualification requirements for un-employment benefits.
- Possibility to receive temporary parental allowance when forced to stay home tending children if schools are closed due to the Corona virus.

37.3. Financial Measures

- The *Riksbank*, the Swedish central bank, has announced that it will lend up to SEK 500 billion (about € 45 billion) to companies through banks to secure the supply of credit.

  The Riksbank has also announced that it intends to buy securities for up to an additional SEK 300 billion (about € 26.6 billion).

- The *Finansinspektionen* (the Swedish financial supervisory authority) announced that it was lowering the **counter-cyclical capital cushion** to zero in order to ensure the smooth functioning of the credit supply.
- The Government grants special credit guarantees to Swedish airlines of SEK 5 billion (€ 440 million) (of which SEK 1.5 billion - € 130 million - is earmarked for SAS).
- The Government will also grant special credit guarantees for other companies, covering 70% of loans up to 75 MSEK.
- The State will cover up to 50% of rent reductions (paid to the landlord) for companies in specifically sensitive businesses, *e.g.* retail, hotels and restaurants.
- Temporary increased possibilities for companies to use power of attorneys and mail-in voting at the AGM.
- The Government has announced an intention to introduce cash support to companies, whose revenue has dropped with at least 30% due to Covid-19. The support amounts to up to 75% of fixed costs in the period March and April 2020. The level of the support depends on the revenue drop. The support is capped at SEK 150 000 000.

Useful links:

- Government of Sweden's website: click here.

For updated information please contact your Taxand team in Sweden at https://skeppsbronskatt.se/

38. SWITZERLAND *(UPDATED 14.05.20)*

In view of the huge economic uncertainties and acute liquidity crisis facing many businesses and individuals as a result of the global spread of COVID-19, the Swiss Federal Council on March 20, 2020 launched a comprehensive package of measures to cushion the financial fallout from the pandemic's extraordinary impact. The package totals CHF 40 billion and also contains a guarantee program for COVID-19 bridging credit facilities. Due to the considerable demand, on April 3, 2020, the Federal Council decided to expand by another CHF 20 billion up to a total of CHF 40 billion the guarantee program for bridging credit facilities. On April 22, 2020, the Federal Council further decided to use the existing system of guarantees for SMEs to provide support for start-ups. During last week the National Council and the Council of States met for the first time since the escalation of the COVID-19 crisis and since then, the Parliament is again capable of acting. The Parliament has widely confirmed the measures decided by the Federal Council over the last weeks.

38.1. Tax measures

Deferred payment terms

- ***Direct federal tax and cantonal/communal taxes***

The relief measures provide that no interest on arrears will accrue between March 1, 2020 and December 31, 2020 for late payments of the direct federal tax bills due in that period. This applies to individuals as well as legal entities.

As regards the cantonal/communal tax, some cantons have decided to temporarily waive any interest on arrears (such as the Canton of Aargau, Bern, Basel-Land, Geneva, Glarus, Graubünden, Jura, Lucerne, Neuchâtel, Nidwalden, Schaffhausen, Schwyz, Solothurn, Ticino, Valais and Zug). The Canton of Zurich has decided to reduce the interest rate to 0.25%, not to suspend it completely. The period of suspension of interest on arrears varies from canton to canton. It is important to carefully look at how each canton handles this.

Some cantons have decided to suspend tax debt enforcement proceedings until further notice (such as the Canton of Aargau, Bern and Lucerne).

Independently of any such measures, it is possible to apply for deferred payment terms or payment by installments for both the direct federal and the cantonal/communal taxes.

- ***Withholding tax and stamp duties***

The temporary waiver of interest on arrears does not apply to the federal withholding tax and stamp duties. This is very unfortunate given the high rate of interest on arrears (5%) charged for these taxes.

- ***Value-added tax (VAT)***

As regards the VAT, customs duties as well as special taxes and steering duties (tobacco, alcohol, beer, vehicle, fuel, and mineral tax), the interest rate on arrears has been set at 0% from March 20, 2020 until December 31, 2020. However, taxpayers are still obligated to submit their tax statements within the statutory deadline.

In practice, this means that companies liable for VAT will benefit from interest-free bridging loans – provided that they achieve turnover.

On April 8, 2020, the Federal Council decided to temporarily suspend customs duties on imports of important medical goods. This came into force on April 10, 2020 and will remain in force until October 9, 2020.

Automatic deadline extension for tax returns

Various cantons have set automatic deadline extensions for tax returns. The situation in selected cantons is as follows:

- ***For individuals***
  - Aargau: deadline extension for employees until June 30, 2020; for self-employed persons until September 30, 2020
  - Appenzell Ausserrhoden: deadline extension until May 31, 2020
  - Bern: deadline extension until September 15, 2020
  - Basel-Land: deadline extension for employees until June 30, 2020; for self-employed persons until September 30, 2020
  - Basel-Stadt: deadline extension until May 31, 2020
  - Fribourg: deadline extension until June 30, 2020
  - Geneva: deadline extension until May 31, 2020
  - Glarus: deadline extension until June 30, 2020
  - Jura: deadline extension until July 31, 2020
  - Lucerne: deadline extension for employees until May 31, 2020; for employees with tax representative and self-employed persons until August 31, 2020
  - Neuchâtel: deadline extension until June 30, 2020
  - Nidwalden: deadline extension until June 30, 2020
  - St. Gallen: deadline extension until May 31, 2020
  - Schaffhausen: deadline extension until June 30, 2020
  - Solothurn: deadline extension until July 31, 2020
  - Schwyz: deadline extension until May 31, 2020
  - Ticino: deadline extension until June 30, 2020
  - Uri: deadline extension until May 31, 2020
  - Valais: deadline extension until May 31, 2020
  - Zug: deadline extension until June 30, 2020
  - Zurich: deadline extension until May 31, 2020

- ***For legal entities***
  - Aargau: deadline extension until September 30, 2020
  - Bern: deadline extension until September 15, 2020
  - Basel-Land: deadline extension until September 30, 2020
  - Geneva: deadline extension until May 31, 2020
  - Glarus: deadline extension until June 30, 2020
  - Graubünden: deadline extension until September 30, 2020
  - Jura: deadline extension until July 31, 2020
  - Lucerne: filing of the tax return within 8 months after the closing of the business year
  - Nidwalden: deadline extension until September 30, 2020
  - Ticino: deadline extension until September 30, 2020
  - Uri: deadline extension until July 31, 2020
  - Zug: deadline extension until September 30, 2020

- ***Adjustment of tariffs correction for wage withholding tax***
  - Basel-Land: deadline extension until September 30, 2020

- Geneva: deadline extension until May 31, 2020
- Schwyz: deadline extension until May 31, 2020
- Uri: deadline extension until May 31, 2020
- Valais: deadline extension until May 31, 2020
- Zug: deadline extension until June 30, 2020

Availability of tax authorities

- ***Federal Tax Administration***

The Federal Tax Administration continues its operations. However, it is not contactable to the usual degree and recommends communicating by e-mail.

- ***Cantonal tax administrations***

Most cantons have reopened their counters since May 11, 2020. However, they continue to prefer to be contacted by telephone or e-mail if possible.

Economic measures

Measures at federal level

- ***Deferred payment terms for social security contributions***

Since March 20, 2020 companies facing liquidity problems due to the Corona crisis have been able to apply to their compensation fund for a deferral of payment without default interest. In doing so, they must commit themselves to regular instalment payments. This possibility of requesting payment in instalments of the contributions owed will continue to exist and will be interest-free until September 20, 2020. At its meeting on April 29, 2020, the Federal Council decided that no default interest would be charged in the event of late payment of AHV/IV/EO and ALV contributions during the extraordinary situation. The regulation is limited in time and supplements the already decided measure of interest-free payment deferrals for companies in liquidity bottlenecks. The measure applies retroactively from March 21, 2020 to June 30, 2020.

- ***Guaranteed COVID bridging loans***

To help SMEs (sole proprietorships, partnerships, legal entities) suffering from the COVID-19 fallout to obtain bridging loans from the banks, the Federal Council has launched a credit guarantee program of CHF 20 billion (which has been increased up to CHF 40 million). Affected businesses get access to fast credit of up to 10% of their sales, but no more than CHF 20 million. The program provides that the banks pay out amounts of up to CHF 0.5 million immediately, which will be 100% guaranteed by the Swiss government. Loans exceeding this threshold are to be guaranteed by the Swiss government at 85% of the amount, subject to a brief examination by the banks. The respective implementation ordinance was adopted on March 25, 2020.

At its meeting on April 29, 2020 the Federal Council decided to provide guarantees to support the airlines Swiss and Edelweiss in bridging liquidity shortages. In order to resume air traffic, the airlines are dependent on the services of flight-related operations at the national airports. For this reason, these operations should also receive support if necessary, provided that the strict conditions imposed by the Confederation can be met. The Federal Council has been proposing commitment credits totalling almost CHF 1.9 billion to the Parliament.

- ***Innovative start-ups receive supplementary federal support***

Innovative start-ups are an important success factor for the Swiss economy. Until now, however, start-ups have only had limited or no access to the existing emergency measures of the federal government. In addition to the federal government's COVID-19 loans and cantonal support measures, the federal government therefore wants to use the guarantee system to protect promising start-ups from corona-related insolvency.

Loan guarantee applications can be submitted from 7 May up to 31 August 2020. The Confederation will guarantee 65% of a credit, and the cantons the remaining 35%. It is for individual cantons to decide whether they wish to offer this guarantee facility, originally intended for SMEs, to their start-ups. Some cantons have already committed considerable resources to other kinds of support for start-ups.

- ***Expansion and simplification of short-time work***

The conditions for the compensation of short-time work have been broadened and applying for it has become easier:

- Compensation for a reduction in work is now also possible for:
  - staff in fixed-term employment and for people working for a temporary placement organization;
  - people in apprenticeships; and
  - employees who occupy a position comparable to that of an employer.
- The already shortened waiting period for short-time work compensation has been abolished. This means that employers no longer financially contribute to work-loss compensation.
- Employees no longer have to reduce the accrued overtime before they can benefit from short-time work compensation.

- ***Compensation for income loss of self-employed people and employees***

Self-employed people who suffer a loss of income because of official measures taken to contain the coronavirus outbreak (e.g. who are in quarantine on doctor's orders) can get compensation for loss of income if they are not already being compensated or covered by corresponding insurance. The entitlement is generally limited until May 16, 2020.
Parents who have to stop working because they need to care for their children following the closure of schools are entitled to compensation. The right to compensation also exists where gainful work is suspended because of isolation imposed by a physician.
The entitlement would generally end on the day when self-employed person can reopen their businesses. However, as further measure, on April 22, 2020, the Federal Council extended until May 16, 2020 the entitlement even to self-employed persons who can reopen their businesses on April 27, 2020 or May 11, 2020, as well as for those indirectly affected by the measures.

- ***Switzerland supports international campaigns with CHF 400 million***

To mitigate the consequences of the pandemic in developing countries, the Federal Council decided on April 29, 2020 to grant the International Committee of the Red Cross (ICRC) an interest-free loan totalling CHF 200 million and to support an IMF disaster fund with CHF 25 million. A further CHF 175 million will be used to strengthen internationally active organisations and international cooperation in the fight against Covid-19.

- ***Support for external childcare, pilot phase for tracing app***

Following the extraordinary session of Parliament the Federal Council took decisions at its meeting on May 8, 2020 on the further course of action regarding supplementary childcare and the Corona App (proximity tracing app), as well as the relaxation of catering establishments and entry restrictions. The Confederation will provide CHF 65 million to support childcare institutions that have lost income due to the COVID-19 crisis. The Federal Council will specify in detail how this support will be provided in an ordinance by May 20, 2020. By then it will also adopt the legal basis for the proximity tracing app for the attention of parliament. Before then, the app will be tested in a pilot phase.

- ***Switzerland agrees with Germany, Austria and France on opening the border***

A complete opening of the border with Germany, Austria and France is planned for June 15, 2020, if the epidemic development allows it.

- ***Further measures***

The aid package of the Federal Council also provides for immediate relief in the cultural domain, for support to sports organizations, tourism, and regional policy as well as for expanded flexibility in applying the Employment Act to hospitals and health clinics.

38.2. Cantonal measures (in selected cantons)

- ***Canton of Aargau***

On March 20, 2020, the cantonal government of Aargau launched an aid package totaling CHF 0.5 billion. It is designed to extend immediate support to those companies and businesses particularly hard hit by the COVID-19 pandemic (SMEs; hospitality and tourism services; trade and commerce; cultural institutions; etc.). Implementation shall be coordinated with the measures adopted at federal level.

- ***Canton of Basel-Land***

On March 19, 2020, the cantonal government and the cantonal bank of Basel-Land announced an aid package to soften the blows to the economy from the coronavirus crisis. It consists of credit guarantees totaling CHF 100 million plus rapid relief of CHF 85 million that the bank will extend to its clients.

- ***Canton of Bern***

On March 20, 2020, the cantonal government of Bern adopted an emergency ordinance in support of the economy and society, parts of which became effective on March 21, 2020. The government thus laid the legal foundation for using a range of instruments to provide financial relief to the canton's health service providers, industrial SMEs, other commercial enterprises, and self-employed people.

- ***Canton of Graubünden***

The canton of Graubünden has put together a coronavirus aid package worth CHF 80 million. Together with federal funds, half a billion Swiss francs are available to Graubünden companies. The money will be used to secure jobs and income.

- ***Canton of Zurich***

On March 19, 2020, the cantonal government of Zurich released an aid package for immediate economic relief: CHF 425 million to guarantee bank loans to SMEs, CHF 15 million in rapid relief to self-employed people, and CHF 28 million for charitable organizations active in cultural, social, sport, and educational areas.

Useful links:

- The Federal Council's website: https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.html?dyn_startDate=01.01.2015
- The Federal Department of Finance: https://covid19.easygov.swiss/en/
- The Federal Tax Administration: https://www.estv.admin.ch/estv/en/home/covid19/news.html

For updated information please contact your Taxand team in Switzerland at https://www.taxpartner.ch/

39. UNITED KINGDOM *(UPDATED 21.05.20)*

The British Government has been announcing updates to measurements to support business on a regular basis. HMRC has deployed numerous tax officers to the HMRC COVID-19 helpline to deal with requests for help and tax deferrals from businesses.

39.1. TAX MEASURES

- ***VAT***

VAT payments due between 20 March 2020 and 30 June 2020 can be deferred on an optional basis. There is no requirement to apply. No interest and penalties will apply. The deferred VAT payment must be paid on or before 31 March 2021.

This applies to all UK VAT registrations (irrespective of location of the business). It does not apply to MOSS registrations.

If you normally pay by direct debit and wish to take advantage of the deferral, you need to cancel the direct debt.

VAT returns must be filed as normal (even if the payment is not made). VAT payments due after 30 June 2020 (first possible payment being 7th July 2020 depending on VAT return periods) must be paid (don't forget to set up your direct debit again).

- ***Import VAT & Duty deferrals***

HMRC have announced that they will permit a full or partial payment extension on import VAT and duty normally due for those with a duty deferment account on 15th of the month following import without having their guarantee called upon or their deferment account suspended. The extension agreed will depend on each case and must be agreed with HMRC. Interest will not be charged provided payments are made by the agreed date.

For those registered importers who pay cash or an equivalent may also obtain an extension for the payment of import VAT and duty. Again, this will be agreed on a case by case basis.

- ***Additional Direct Tax, Payroll taxes and VAT deferrals***

If the VAT deferral offered above is not sufficient and if the business needs additional time to pay all taxes, HMRC has extended its "Time to Pay" helpline. Businesses can request deferrals for VAT (outside the above period), payroll taxes and direct tax. These would normally be repaid in installments. Ordinarily penalties do not apply if this is agreed before the debt is due. For large and long-term payment plans HMRC may require information regarding cashflow and business viability. As the crisis progresses many employers will need to have a more structured payment plan agreed with HMRC over a longer period of time which will need to be carefully managed.

- ***Postponement of IR35 in the private sector***

The government announced on March 17th that the reform to the off-payroll working rules (commonly known as IR35) - that would have applied for people contracting their services to large or medium-sized organisations outside the public sector - will be delayed for one year from April 6th, 2020 until April 6th, 2021.

- ***Postponement of phase 2 of Making Tax Digital for VAT to April 2021***

Second phase ('digital links') of Making Tax Digital for VAT ('MTD'), initially scheduled for April 2020, has been delayed one year and will come into effect on 1 April 2021. This will ease the compliance burden for a significant number of businesses not yet ready for this next phase.

- ***No Import VAT and duty payable on medical supplies, equipment and protective garments which are COVID-19 related***

This relief can be claimed immediately by state organisations, including state bodies, public bodies and other bodies governed by public law and other authorised non-state bodies

Eligible goods are (i) for distribution free of charge to those affected by, at risk from or involved in combating the COVID-19 or (ii) to be made available free of charge to those affected by, at risk from or involved in combating the COVID-19 outbreak, while remaining the property of the organisations importing them.

- **Extensions and relaxations for existing Customs Authorisations**

HMRC will allow for some flexibility where businesses are struggling to maintain conditions for the following:

  - Customs authorisations
  - Using Simplified Declarations
  - Guarantees
  - AEO status

For Customs authorisations such as Customs Warehousing, Inward Processing relief and temporary storage, HMRC will permit some temporary variations in the conditions of your authorisation. This must be pre-approved and can include variations to the timings for processing and storage and staffing controls. Each case is being dealt with on a case by case basis.

Guarantees will be accepted electronically.

Extensions will be granted to existing authorisations which would ordinarily require a visit to the premises. This will allow businesses to continue to use an expired authorisation on a temporary basis and must be agreed with HMRC.

Easements for Customs Authorisation applications for certain industries

HMRC will allow email submissions for new Customs Authorisation and Customs Guarantee applications

New applications for Customs authorisations for imports of food, medical supplies and pharmaceuticals will be fast tracked where possible.

Companies will need to have a good history of customs compliance but authorisations may be granted without a site visit (postponed to a later date). However, for industries not in the fast track group, their applications may take longer if HMRC cannot visit. This is subject to review by HMRC

- **Direct tax measures**

Currently there are few if any direct tax measures. However, businesses can take a number of sensible measures to improve cashflow:

  - Make prudent assumptions when forecasting any quarterly tax payments on account.
  - Prioritise claims for repayment of tax wherever possible and applicable.

39.2. SOCIAL MEASURES

Coronavirus Job Retention Scheme ('CJRS')

The CJRS is available to all UK employers to enable them to assess support to pay part of their employees' salaries if those employees would otherwise be made redundant as a result of this crisis.

The scheme is available from 1 March 2020 and employers have been able to make applications since 20 April 2020.

To access the scheme, Employers must take two steps:

- Designate affected employees as 'furloughed workers' and notify their employees of this change which is still subject to normal employment law legislation;
- Submit information to HMRC about the employees that have been furloughed through a new HMRC portal.

HMRC will reimburse up to 80% of the furloughed employees' wage costs (which should exclude fees, commission and bonuses), up to a limit of £2,500 per month, plus the employer's national insurance and minimum auto enrolment employer pension contributions). The reimbursed amount will be subject to employment taxes (PAYE and National Insurance Contributions – both employers and employees) in the normal way.

In practical terms, employers should be identifying and writing to employees to whom furlough may be offered, along with any other redundancy, enforced paid annual leave or reduced hours working arrangements. For those employees that are furloughed, either compulsorily or voluntarily, they should be notified, and the date from which this will be effective (it can be backdated to 1 March for those employees who have already been stood down or let go. Previously the scheme only applied to those employees who were on the payroll as at 28 February 2020. The government has now changed the scheme to cover employees who were employed up to 19 March 2020, provided the employer had made a RTI submission to HMRC on or before that date. The government has also said that the scheme will be extended until the end of October. From August companies will start to share the cost of the furlough and it will also be possible to bring furloughed employees back part time.

- ***Support for businesses paying sick pay***

Legislation is being brought forward to enable businesses with less than 250 employees to be able to claim a refund of 2 weeks Statutory Sick Pay ('SSP') per employee who has been off sick due to Covid-19. Employees will need to maintain records of staff absences and payment of SSP, but employees will not be required to provide a letter from their doctor (as is normal practice) confirming their illness.

- **Measures for self-employed individuals**

On 26 March 2020, the Chancellor announced a scheme that will see those who are self-employed receiving up to 80% or £2,500 a month cash grant for those earning up to £50,000 per year. This will be based on net profit after taxation. Unlike employees who are furloughed (as set out above), the self-employed can keep working.

The grant will be available in June 2020 at the earliest but will apply from 1 March 2020. Details of the application process are now available on the UK government website. Since 4 May 2020, HMRC has started contacting some taxpayers to advise them to check their eligibility for the scheme. The claims service opened on 13 May 2020.

39.3. FINANCIAL MEASURES

- **Reduction in the Bank of England Base rate**

The Bank of England announced on March 19th that it has reduced its lending rate to a historic low of 0.1%. That rate is still in effect as of 21 May 2020.

Furthermore, it has also said that it will buy £ 200 billion (about € 215 billion) more UK assets, restarting its quantitative easing policy.

- **COVID-19 Corporate Financing Facility**

  The Bank of England will buy short term debt from large companies. This will support companies which are fundamentally strong, but have been affected by a short-term funding squeeze, enabling them to continue financing their short-term liabilities. It will also support corporate finance markets overall and ease the supply of credit to all firms. The key challenge for those UK businesses wishing to access the facilities will be demonstrating they were in 'sound financial health' prior to COVID-19 (generally by showing an investment grade credit rating, or equivalent, with one of the main ratings agencies). From 4 June 2020 a weekly list of who has accessed the scheme will be published by the Treasury and the Bank of England. Furthermore, with effect from 19 May 2020, businesses wishing to avail themselves of this facility will be required to undertake restrictions on dividend payments, share buybacks and senior pay; including a ban on cash bonuses and dividend payments unless previously agreed.

  Additionally, there is the practical challenge for businesses of issuing commercial paper (unsecured, short-term debt instruments) if they have not done so before.

Alongside the Budget, the government has published information about the support available to individuals and businesses whose finances are affected by COVID-19. This information, which will be regularly updated as the situation develops, can be found here.

- **Government Grants for certain businesses include:**
  - One-off grant of £ 10,000 (about € 11,000) to business that pay little or no business rates
  - Additional grant of £ 25,000 (about € 27,000) to retail, hospitality and leisure businesses

  This measure applies to businesses operating from smaller premises, with a rateable value between £ 15,000 and £ 51,000 (about € 16,000 to € 55,000).

- **Coronavirus Business Interruption Loan Scheme (CBILS)**

  The Government will provide, through the British Business Bank, free of charge to SMEs an 80% guarantee on each loan for borrowings up to £ 5 million (about € 5.5 million) and for up to 6 years.

  The government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments. The government will provide lenders with a guarantee of 80% on each loan (subject to pre-lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The scheme will be delivered through commercial lenders, backed by the government-owned British Business Bank. There are 40 accredited lenders able to offer the scheme, including all the major banks.

- **Coronavirus Large Business Interruption Loan Scheme (CLBILS)**

  CLBILS will support large businesses, with an annual turnover from £45 million to £250 million, to access loans of up to £25 million. Firms with a turnover of more than £250 million can apply for up to £50 million of finance. From 26 May 2020, the £50million loan limit is to be increased from to £200 million. However, for businesses wishing to borrow amounts above £50m, there will be restrictions on dividend payments, senior pay and share buybacks; including a ban on cash bonuses and dividend payments unless previously agreed.

  The scheme is expected to be delivered through commercial lenders. The government will provide lenders with an 80% guarantee on individual loans for businesses that would otherwise be unable to access the finance they need. Facilities backed by a guarantee under CLBILS will be offered at commercial rates of interest. This scheme is intended to allow lenders to support businesses that were viable before the coronavirus outbreak but now face significant cash flow difficulties that would otherwise make their business unviable in the short term. Businesses should be eligible if they are based in the UK, have an annual turnover of over £45 million and are unable to secure regular commercial financing. They will be required to have a borrowing proposal which the lender would consider viable, if not for the coronavirus pandemic and that the loan will enable the business to trade

out of any short-term to medium-term difficulty. In each case the amount borrowed should not be greater than (i) double the borrower's annual wage bill for the most recent year available, or (ii) 25% of the borrower's total turnover for the most recent year available, or (iii) with appropriate justification and based on self-certification of the borrower, the amount may be increased to cover their liquidity needs for the next 12 months. The maximum repayment term is 3 years.

- **Coronavirus Future Fund**

  On 20 April 2020, the Chancellor announced a £1.25 billion package to support high-growth companies impacted by the Coronavirus crisis, targeted and tailored to protect firms driving innovation in UK. The package includes a £500 million 'Future Fund' delivered in partnership with the British Business Bank, with the government matching investment funding from the private sector, and £750 million of grants and loans for SMEs (Small and Medium sized Enterprises) conducting research and development. First payments are available from mid-May. The Future Fund will provide government loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal match funding from private investors.

  These convertible loans may be a suitable option for businesses that rely on equity investment and are unable to access the Coronavirus Business Interruption Loan Scheme. To qualify to receive the government money, a company must have raised £250,000 privately in the last five years from third party investors. On top of that, any money put in by the government must be matched by private investors. And, if the money is not repaid, the government will take an ownership stake in the company.

- **Coronavirus Bounce Back Loan**

  This scheme was announced by the Chancellor on 27 April 2020 and it launched on 4 May 2020. The Bounce Back Loan scheme will help small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover to a maximum of £50,000. The government will guarantee 100% of the loan and there won't be any fees or interest to pay for the first 12 months of the loan. Loan terms will be up to 6 years in length and no repayments will be due during the first 12 months. The scheme will be delivered through a network of accredited lenders and the government will work with them to agree a low rate of interest for the remaining period of the loan.

  Businesses can apply for a loan if they are based in the UK, have been negatively affected by coronavirus and were not an 'undertaking in difficulty' on 31 December 2019.

  Businesses cannot apply if they are already claiming under the Coronavirus Business Interruption Loan Scheme (CBILS). However, if a business has already received a loan of up to £50,000 under CBILS and would like to transfer it into the Bounce Back Loan scheme, they can arrange this with their lender up until 4 November 2020.

- ***Business rates discount for certain businesses***

  A business rates discount of 100% (formerly 50%) will apply for retail, hospitality and leisure businesses, as well as nurseries, in England for the 2020 to 2021 tax year.

- ***Further Measures***

  The government and the Bank of England are currently announcing measures on a regular basis.

- **Protection from eviction for commercial tenants**

  Commercial tenants who cannot pay their rent because of COVID-19 will be protected from eviction. These measures will mean no business will automatically forfeit their lease and be forced out of their premises if they miss a payment up until 30 June. There is the option for the government to extend this period if needed. This is not a rental holiday. All commercial tenants will still be liable for the rent. Commercial tenants are protected from eviction if they are unable to pay rent.

- **Commercial insurance**

  The government has clarified that for those businesses with insurance policies that cover government ordered closures and pandemics should be able to claim under their policies. However, since all policies do differ, businesses are recommended to check the terms and conditions.

- **Statutory account filing extension**

  The Financial Conduct Authority, Financial Reporting Council and Prudential Regulation Authority have granted companies listed on the UK stock exchange an extension of 2 months in order to file their statutory accounts.

  Companies House in the UK has also issued guidance to permit all companies to apply for a three month extension to their filing deadline. Although the latter does require an application, it has been made clear that the application will be both fast tracked and automatically granted if the reason for requiring the extension is COVID-19 related.

- **Guidance to businesses and auditors preparing financial statements**

  The Financial Conduct Authority, Financial Reporting Council and Prudential Regulation Authority have provided guidance to companies to make key forward looking judgements as consistent as possible. Guidance has also been provided to auditors as to practical ways that they can seek to obtain audit evidence in order to support audit opinions given the current obstacles in order to obtain information.

- **Guidance to businesses**

  The Business Secretary has also announced he will make changes to enable UK companies undergoing a rescue or restructure process to continue trading, giving them breathing space that could help them avoid insolvency. This will also include enabling companies to continue buying much-needed supplies, such as energy, raw materials or broadband, while attempting a rescue, and temporarily suspending wrongful trading provisions retrospectively from 1 March 2020 for three months for company directors so they can keep their businesses going without the threat of personal liability.

Useful links:

- Government of the UK's website: click here.

For updated information please contact your Taxand team in the United Kingdom at https://www.alvarezandmarsal.com/expertise/uk-tax

40. UNITED STATES *(UPDATED 14.05.20)*

As a first step, on March 6th, 2020, the U.S. government has approved $8.3 billion in emergency funding for federal agencies to respond to the coronavirus outbreak (Phase I).

On March 18th, 2020 an addition emergency funding with an estimated cost of $105 billion for federal agencies and small businesses was approved in response to the coronavirus outbreak (Phase II).

On March 27, 2018 President Trump signed the COVID-19 Bill (Phase III) into law. The COVID-19 Bill includes a $2.2 trillion emergency relief package intended to increase liquidity, assist small businesses and individuals, support the different states and to provide technical corrections to the Tax Cuts and Jobs Act (TCJA).

40.1. Social Measures

- ***Emergency Family and Medical Leave Expansion Act (Phase II):*** Provides employees of employers with fewer than 500 employees (subject to certain aggregation rules) and government employers (excluding certain health care providers and emergency responders) who have been on the job for at least 30 days, 12 additional weeks of job-protected FMLA leave for those who are unable to work or telework due to a need to care for a child whose school is closed. Note that employers with fewer than 50 employees may request a waiver from this requirement.
- ***Emergency Paid Sick Leave Act (Phase II):*** Provides employees of employers with fewer than 500 employees (subject to certain aggregation rules) and government employers (excluding certain health care providers and emergency responders) with 80 hours (10 days) of paid sick time at the employee's full regular rate of pay (subject to caps of $511/day) if leave is due to employee quarantine/isolation – cap reduced to $200/day if the leave is due to caring for others. Employers with less than 50 employees may be excluded by subsequent regulations by the Department of Labor.
- ***Emergency Unemployment Insurance Stabilization and Access Act of 2020 (Phase II):*** Provides unemployment assistance to states including $1 billion in emergency grants for unemployment insurance, access to interest-free loans for payment of UI benefits, federal funding for states that experience a 10 percent increase in unemployment rate and suspend financial penalty for states that waive the one week benefits waiting period.
- ***Unemployment Assistance (Phase III):*** Establishes a temporary Pandemic Unemployment Assistance to provide payment to those not traditionally eligible for unemployment benefits and who are unable to work as a direct result of the coronavirus public health emergency.
- ***Health Provisions (Phase II)***
    - Provides the following COVID-19 related health provisions at no cost to consumer: diagnostic testing and the cost of medical visits in order to receive testing, certain personal respiratory protective devices.
    - Temporary increase to states' federal medical assistance percentage (FMAP).

40.2. Administrative Measures

- ***Health Care System Package to Combat Coronavirus (Phase II):*** $100 billion for hospitals, $16 billion for critical medical supplies, $11 billion for vaccines, therapeutics, diagnostics, $4.3 billion for the Centers for Disease, $45 billion for the FEMA Disaster Relief Fund, $1 billion for the Defense Production Act, $1.32 billion for community health centers, $3.5 billion for child care block grants to maintain critical child care services for first responders and health care workers.
- ***Department of Health and Human Services (HHS) (Phase I):*** $6.5 billion allocated to various HHS programs to prevent, prepare for, and respond to coronavirus, domestically or internationally. Allows

the HHS Secretary to waive certain Medicare telehealth restrictions during the coronavirus public health emergency.

- ***Department of State, U.S. Agency for International Development (USAID) & Bilateral Economic Assistance (Phase I):*** $1.25 billion in appropriations to (1) the Department of State for the Administration of Foreign Affairs, and (2) the U.S. Agency for International Development for the Office of Inspector General as well as provisions for Bilateral Economic Assistance.
- ***Supplemental Appropriations to Departments of Agriculture, Defense, Treasury, HHS (Phase II)***
  - **Department of Agriculture** – $500 million for The Special Supplemental Nutrition Program for Women Infants and Children (WIC) and $400 million for the Commodity Assistance Program for emergency food assistance.
  - **Department of Defense** – $82 million for defense health program.
  - **Department of Treasury** – $15 million to Internal Revenue Services (IRS) for taxpayer services.
  - **HHS** – $64 million for Indian health services, $250 million for aging and disability services programs, and $1 million for PHSS Emergency Fund.
  - **Department of Veterans Affairs** – $30 million for medical services and $30 million for medical community care.

40.3. Financial Measures

- ***Small Businesses Loans***
  - **Economic Injury Disaster Loans Expanded (HR 6074):** Authorized the Small Business Administration (SBA) to provide an additional $7 billion in Economic Injury Disaster Loans (EIDL) for small businesses.
  - **Additional Small Business Loan Aid Appropriated (HR 748):** The CARES Act (HR 748) includes an additional $350 billion in small business assistance through the SBA 7(a) program and $500 billion in funding for the Treasury's Exchange Stabilization Fund and expanded Federal Reserve lending facilities.
  - **On Friday, April 24th the U.S. passed the Paycheck Protection Program and Health Care Enhancement Act which provides for an additional $320 Billion in small business assistance through the SBA 7(a) program and an additional $60 Billion in EIDLs for small businesses.**
  - **Qualified Small Business:** Any business concern, private non-profit organization, or public non-profit organization which employs not more than 500 employees, subject to certain aggregation rules, shall be eligible to receive a loan made under section 7(a) of the Small Business Act (15 U.S.C. 636(a)), in addition to small business concerns.
  - **Maximum Loan Amount:** $10M through 12/31/2020. A formula shall be used to estimate the loan amount necessary to cover costs that the loans may be used to satisfy.
  - **Usage of Loan:** Payroll support, including paid sick, medical, or family leave, and costs related to the continuation of group health care benefits during those periods of leave; employee salaries; mortgage payments; rent (including rent under a lease agreement); utilities; and any other debt obligations that were incurred before the covered period.
    - **LIMITATION** – A borrower that receives assistance under section 7(b)(2) of the Small Business Act (15 U.S.C. 636(b)(2)) related to COVID–19 for purposes of paying payroll and providing payroll support shall not be eligible for a loan described in the Qualified Small Business section (above) for the same purpose.

- ***Targeted Funding to Stabilize Severely Distressed Sectors (Phase III)***
  - $25 billion in loans to passenger airlines, $4 billion to cargo air carriers, and $17 billion to businesses critical to maintaining national security; places restrictions on executive compensation and stock buyback for loan recipients.
  - $454 billion to be invested in Federal Reserve facilities to provide liquidity to banks for lending to states, municipalities, and businesses; places restrictions on executive compensation and stock buyback for loan recipients.
  - $10 billion for airports and $25 billion for public transit operators.
  - Permits forbearance on mortgage payments and places moratorium on foreclosures for homeowners with Federally backed loans.
  - $50 million to help small and medium sized manufacturers.
  - $13.5 billion for elementary and secondary schools and $14.25 billion for higher education relief.
  - Establishes a $150 billion Coronavirus Relief Fund to assist States, Territories, and Tribal governments.
  - Suspension of all payments due for loans made under part D of title IV of the Higher Education Act of 1965 for three months. No interest will accrue during suspension period.

40.4. Tax measures

- ***Employer Tax Credits (Phase II)***
  - The Families First Coronavirus Response Act (HR 6201) required small businesses to expand paid sick-leave and family leave (FMLA Leave) to individuals affected by the virus. Employers are eligible for a payroll tax credit equal to 100% of the sick-leave and FMLA Leave paid by the employer with respect to such quarter. The legislation affects businesses smaller than 500 employees (subject to certain aggregation rules), but businesses with 50 employees or fewer may be exempt.
- ***Expanded Unemployment Insurance (UI), Tax Credits, and Retirement Plan Provisions (Phase III)***
  - Provides an immediate $1,200 rebate, plus $500 per child, to each individual ($2,400 per couple) with adjusted gross incomes of $75,000 ($150,000 per couple) or less; individuals earning up to $99,000 ($198,000 per couple) will receive a proportionally reduced rebate.
  - Incentivizes short-time compensation/work sharing programs to deter layoffs.
  - Refunds 50% of qualified wages paid to employees by employers whose operations were severely disrupted by COVID-19; the credit is limited to the first $10,000 in compensation per employee for a maximum credit of $5,000 per employee. Note that there are different rules for calculating the available credit for employers with greater than 100 employees and employers with less than 100 employees.
  - Loans up to $100,000 from qualified plans may be taken for Coronavirus-related purposes. The loan repayment period is extended by one year.
  - 10 percent early withdrawal penalty waived for coronavirus-related retirement plan withdrawals up to $100,000. Income attributable to these distributions subject to tax over three years and the taxpayer can recontribute those funds within the three period.
  - Minimum distribution rules waived for certain defined contribution plans and IRAs.

- ***Delayed Payment of Employer Payroll Taxes (Phase III)***
  - Employers (except those with indebtedness forgiven under the Act) and self-employed individuals can defer the employer portion of Social Security taxes due from the Act's enactment through the end of 2020 until the following future dates:
    - 50% deferred until December 31, 2021; and
    - 50% deferred until December 31, 2022.
  - An employer is not eligible for deferral if it receives a Small Business Act loan under the Paycheck Protection Program and has any amount of such loan forgiven pursuant to Section 1106 of the Keeping American Workers Paid and Employed Act or pursuant to the United States Treasury program management authority.
- ***Business Tax Provisions (Phase III)***
  - ***Net Operating Loss***
    - Corporations can carry back net operating losses from 2018, 2019, and 2020 for five taxable years.
    - The 80% of taxable income limitation on the use of NOLs was removed for 2018, 2019, and 2020.
    - Rules regarding loss limitations for pass-through businesses and sole proprietors are relaxed.
  - ***Limitation on Interest Expense Deduction***
    - For taxable years beginning in 2019 or 2020, taxpayers other than partnerships can calculate the amount of interest they can deduct based on 50% of their adjusted taxable income (instead of 30%), unless they elect not to, and
    - For taxable years beginning in 2020, taxpayers can generally elect to use their 2019 adjusted taxable income to calculate the interest deduction limit.
    - For partnerships, for 2019, partners that were allocated excess business interest expense from a partnership (business interest expense that exceeded the partnership's section 163(j) limitation) can deduct 50% of such amount in 2020 without any limitation, unless they elect not to do so. This election is made at the partner level.
    - For partnerships, for 2020, A partnership's section 163(j) limitation is calculated based on 50% of ATI, instead of 30%, unless the partnership makes an election not to. A partnership can elect to use its 2019 ATI in place of its actual 2020 ATI (prorated if the 2020 taxable year is a short taxable year) in place of its actual 2020 ATI. Both elections are made at the partnership level.
  - ***Alternative Minimum Tax (AMT) Refundable Credit***
    - The time for corporations to claim a refundable credit for past alternative minimum taxes paid is accelerated.
  - ***Paycheck Protection Program ("PPP") Loan Forgiveness***
    - Pursuant to the CARES Act, the recipient of a "PPP" Loan can obtain forgiveness of all or a portion of the loan to the extent that the borrower uses the proceeds to pay for certain types of expenses (i.e., payroll expenses) during the 8-week "covered period" beginning on the loan origination date under the CARES Act.
    - The CARES Act provides that, for purposes of the U.S. Federal income tax code, any amount that would be includible in gross income of the recipient by reason of a debt forgiveness under the PPP Loan program "shall be excluded from gross income."

- IRS Notice 2020-32 takes the position no deductions may be taken for the amounts of any payments of expenses, to the extent they resulted in a loan forgiveness that was excluded from gross income under the provisions of the CARES Act PPP Loan program.

- ***Retail Glitch Correction***
  - Qualified improvement property is eligible for accelerated depreciation deductions under section 168(k).

- ***Tax Deadlines (Phase III)***
  - Three month delay of filing deadlines for 2019 U.S. Federal income tax returns that are typically due by April 15, 2020 (until July 15, 2020) for calendar year taxpayers. This also extends the deadline for making Federal income tax payments for the 2019 tax year that are typically due by April 15, 2020 (until July 15, 2020) for calendar year taxpayers. Note that not all taxes and filings are eligible for the deferral of the due date (e.g., withholding taxes).
  - Notice 2020-23 may also extend the due date for taxpayers whose U.S. Federal income tax returns are not due on April 15, 2020. The notice states that for all taxpayers whose U.S. Federal income tax returns are due between April 1, 2020 through June 15, 2020 the due date of the return is July 15, 2020. This notice also extends the deadline for making Federal income tax payments for the 2019 tax year that are typically due between April 1, 2020 through June 15, 2020 to July 15, 2020 as well. Note that not all taxes and filings are eligible for the deferral of the due date (e.g., withholding taxes).
  - U.S. Federal estimated tax payments for Q1 2020, that are typically due by April 15 (for calendar year taxpayers), are not due until July 15. Additionally, Q2 payments for 2020 which are typically due on June 15, (for calendar year taxpayers) are now due on July 15, as well.
  - Pursuant to Notice 2020-23 U.S. Federal estimated tax payments which are due between April 1, 2020 and June 15, 2020 (for fiscal year taxpayers) are now due on July 15.
  - Some states have pushed back the deadline for filing state tax returns and making associated income tax payments, but not all states have done so. See below for a link to information relating to the states local tax response.

Useful links:

- White House's website: click here.
- Internal Revenue Service's website: click here.
- COVID-19 State and Local Tax Response Summary Update: click here.

For updated information please contact your Taxand team in the United States at https://www.alvarezandmarsal.com/

41. VENEZUELA *(UPDATED 21.05.20)*

Decree No. 4.198 declaring a State of Alarm for 30 more days:

Following the State of Alarm initially decreed in Venezuela on March 13, 2020, on May 12, 2020, in Official Gazette No. 6,535 Extraordinary, Decree No. 4,198 was published, through which the State of Alarm was decreed for 30 more days to attend to the Coronavirus Health Emergency (COVID-19).

41.1. Tax measures

Decree No. 4,168, which establishes special credit schemes:

In Official Gazette No. 6,521 Extraordinary dated March 23, 2020, Decree No. 4,168 was published, where the Superintendence of Banking Sector Institutions (SUDEBAN by its Spanish acronym) will have the capacity to implement special regimes for credits, such as their payment or the granting of new credits, prioritizing sectors such as food industries, pharmaceuticals, hygiene products, among others.

Decree No. 025-2020 that extends until May 31, 2020, the deadlines for the renewal of licenses for economic activity and the dispensation of alcoholic beverages, as well as the deadline for prepayment and payment of taxes withheld from economic activities:

The Municipality of San Diego of the State of Carabobo, by Decree No. 025-2020, dated April 27, 2020, extended until May 31, 2020 the period for renewal of licenses for economic activities, dispensation of alcoholic beverages, as well as the deadline for advance payment and payment of taxes withheld on economic activities, industry, commerce, services or similar nature, advertising, propaganda, public entertainment, vehicles and property.

Municipal Ordinance establishing the Tax Unit of the Libertador Municipality:

In the Municipal Gazette of the Libertador Municipality, dated 27 February, 2020, the Libertador Municipality Tax Unit (UTM, by its Spanish acronym) is established for the determination and calculation of tax liabilities within that jurisdiction. The UTM value will be the counterpart, expressed in Bolivars, to one point seven percent (1.7%) of the Venezuelan crypto asset, the Petro. The Municipal Superintendence of Tax Administration (SUMAT, by its Spanish acronym) is entrusted to publish the updated value of the UTM on a monthly basis.

Decree No. 006 of the Capital District establishing the Tax Unit of the Capital District:

In the Official Gazette of the Capital District No. 6,617, dated May 4, 2020, Decree No. 006 was published, whereby the Capital District Tax Unit (UTDC, by its Spanish acronym) was established as a new unit of calculation and determination of tax obligations in the jurisdiction of the Capital District. The UTDC value will be the counterpart, expressed in Bolivars, to one point seven percent (1.7%) of the Venezuelan crypto asset, the Petro. The Capital District Tax Administration Service (SATDC, by its Spanish acronym) is entrusted with the publication of this value and its period of validity.

Administrative Ruling SATMIR 2020-0011 modifying the value of the Tax Unit of the State of Miranda:

Administrative Ruling SATMIR 2020-0011, published in the Official Gazette of the State of Miranda No. 5,055, dated May 6, 2020, establishes the value of the Tax Unit of the State of Miranda at Bs. 26,446.99 for the

calculation of tax obligations between May 6, 2020 and June 5, 2020, according to the recent fluctuation in the value of the Venezuelan crypto currency, the Petro.

Administrative Ruling No. 030 of the National Superintendence of Securities, which establishes rules for the public offers, placement and negotiation of securities issued by the private sector in foreign currency:

In Official Gazette No. 41,877, dated May 12, 2020, Ruling No. 030 of the National Superintendence of Securities (SUNAVAL by its Spanish acronym) was published, wherein rules regarding the public offering, placement and negotiation of securities issued by the private sector in foreign currency through the public offering mechanism are set forth.

41.2. Social measures

Administrative Ruling No. 065-2020 which decrees the benefit of suppression of the secondary packaging and medical prospectus of some marketed drugs:

The Autonomous Health Comptroller's Service (SACS by its Spanish acronym) issued Administrative Ruling No. 065-2020, published in the Official Gazette of Venezuela No. 41.861, dated April 17, 2020, which decrees the benefit of suppression of the secondary packaging and medical prospectus of some medicines marketed by public and private laboratories and representative offices, lowering the cost of the final product.

Statement of the Venezuelan Institute of Civil Aviation NOTAM C0515/20, where they extend the restriction of air operations in the territory in the Bolivarian Republic of Venezuela until June 12, 2020.

The National Institute of Civil Aviation (INAC by its Spanish acronym) through NOTAM C0515/20, made public on May 12, 2020, extended the restriction of air operations in the territory in the Bolivarian Republic of Venezuela until June 12, 2020. During this period, only emergency flights, humanitarian assistance, and "repatriations, flights authorized by the United Nations, and cargo and commercial overflights" will be permitted, the statement said.

For updated information please contact your Taxand team in the Venezuela at www.taxand-ve.com