



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

12/08/2020

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 29.07.20)

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 August 2nd 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.

- **Suspension of tax claim proceedings**

AFIP has suspended until August 31st the initiation of tax claim proceedings.

- **Potential new tax to big fortunes**

During the past few months, the government has been drafting a new bill to impose a one-time tax on big fortunes in Argentina. The tax rate would be between 2% and 3.5% on assets. The bill has not been discussed at the Congress yet.

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 has 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 granted 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 12.08.20)

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\$289 billion in economic measures to support the Australian economy, representing 14.6% 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 less than A\$150,000 which were acquired between 12 March 2020 and 31 December 2020. The eligibility for such write-offs has been expanded to include businesses with an aggregated turnover of less than 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 and claim a credit for any instalments during the current financial year;
- 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 A\$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.

JobKeeper 2.0

On 21 July 2020, the Federal Government announced that JobKeeper payments will continue for an additional six months from 28 September 2020 to 28 March 2021, but reduced as follows:

Period	Full rate per fortnight	Part-time rate per fortnight
28 September 2020 to 3 January 2021	A\$1,200	A\$750
4 January 2021 to 28 March 2021	A\$1,000	A\$650

The part-time rate applies to staff working less than 20 hours a week on average in the four weeks before either 1 March or 1 July 2020, whichever is higher. The part-time rate also applies to business participants who were actively engaged in the business less than 20 hours per week on average during the month of February 2020. The Commissioner will have discretion to set out alternative tests where an employee’s or business participant’s hours were not usual during the February 2020 reference period.

The existing eligibility rules for employees and the decline in turnover thresholds (discussed above) will continue to apply. In addition, from 28 September 2020 businesses and not-for-profits seeking to claim JobKeeper payments will have to meet the relevant decline in turnover test based on their *actual* turnover in the previous quarter – that is:

- for the first extension period (28 September 2020 to 3 January 2021), businesses and not-for-profits will be required to re-assess their eligibility by reference to their actual turnover in the September 2020 quarter; and
- for the second extension period (4 January 2021 to 28 March 2021), businesses and not-for-profits will be required to re-assess their eligibility by reference to their actual turnover in the December 2020 quarter.

The Commissioner will have discretion to set out alternative tests where it is not appropriate to compare actual turnover in 2020 with actual turnover in 2019, in line with the Commissioner’s existing discretion.

Businesses should seek specific advice regarding the application of the extended JobKeeper scheme as it is 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.

On 21 July 2020, the Federal Government announced that the temporary Coronavirus Supplement payment will be extended from 25 September to 31 December 2020 but the rate will be reduced from \$550 to \$250 per fortnight. A range of means testing arrangements will also be reintroduced from 25 September 2020 to ensure that social security payments are appropriately targeted.

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 must be made before 31 December 2020.

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.

Pandemic leave

On 3 August 2020, the Federal Government announced a one-off pandemic leave disaster payment of \$1,500 for workers in Victoria who have no sick leave available and are instructed to self-isolate or quarantine for 14 days by a public health officer as a result of COVID-19. The program will initially run from 5 August 2020 to 4 February 2021.

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.

Coronavirus SME Guarantee Scheme

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.

On 20 July 2020, the Federal Government announced that it will amend the SME loan guarantee scheme to extend the purpose of loans able to be provided to SME businesses beyond working capital. It will also:

- permit secured lending (excluding commercial or residential property);
- increase the maximum loan size to \$1m (from A\$250,000) per borrower;
- increase the maximum loan term from three years to five years; and
- allow lenders the discretion to offer a repayment holiday period.

The initial phase of the scheme remains available for new loans issued by eligible lenders until 30 September 2020. The second phase of the scheme will start on 1 October 2020 and will be available until 30 June 2021.

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-for-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>
- JobKeeper 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>
- JobKeeper payment legislative instrument (*Coronavirus Economic Response Package (Payments and Benefits) Rules 2020*):
<https://www.legislation.gov.au/Details/F2020L00419>
- JobKeeper payment legislative instrument (*Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 1) 2020*):
<https://www.legislation.gov.au/Details/F2020L00479>
- JobKeeper payment legislative instrument (*Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 2) 2020*):
<https://www.legislation.gov.au/Details/F2020L00546>
- JobKeeper payment legislative instrument (*Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020*):
<https://www.legislation.gov.au/Details/F2020L00461>
- JobKeeper payment fact sheets:
<https://treasury.gov.au/coronavirus/jobkeeper>
- JobKeeper payment and income support extension announcement:
<https://www.pm.gov.au/media/jobkeeper-payment-and-income-support-extended>
- JobKeeper payment extension fact sheet:
[https://treasury.gov.au/sites/default/files/2020-07/Fact sheet-JobKeeper Payment extension.pdf](https://treasury.gov.au/sites/default/files/2020-07/Fact%20sheet-JobKeeper%20Payment%20extension.pdf)
- Coronavirus SME Guarantee Scheme extension announcement:
<https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/supporting-small-business-adapt-grow-and-create-jobs>
- Instant asset write-off extension to 31 December 2020:
[Treasury Laws Amendment \(2020 Measures No. 3\) Bill 2020](https://www.ato.gov.au/General/COVID-19/)
- 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 16.07.20)

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.

In the beginning of May, different steps were taken to phase-out this lockdown period and additional “exit strategy” measures are adopted to alleviate the consequences of the pandemic on the long term.

Below is a succinct overview of the most important measures.

1. Measures adopted during the “lockdown light”

Tax measures

Automatic payment reliefs

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 were 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.

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** granted an exemption 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 **Walloon Government** has indicated that with respect to **real estate tax**, the assessment notices will be sent out as from August 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. Such measures can be requested until 31 December.

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.

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.

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, German and Luxembourg 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. These agreements are in force until 31 August 2020.

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.

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

2. “Exit-strategy” tax measures

The federal government has been discussing different packages of “exit strategy” tax measures framed within a federal plan related to social and economic protection. These measures are currently grouped in three different acts, called Corona (I), Corona (II) and Corona (III).

Corona (I) was published in the Belgian State Gazette of 11 June 2020 and entered into force. This act serves as the legal basis for the measures relating to the VAT-regime and income tax-regime of donations of medical supplies to listed healthcare institutions and advance tax payments as listed above.

Corona (II) (approved on 15 June 2020) includes a tax measure to limit tax cash-outs for impacted enterprises. An exceptional **carry-back mechanism of tax losses** will be implemented: enterprises would under certain conditions be allowed to offset the taxable profits generated during the previous taxable period (in principle FY 2019) against the losses that they expect to occur during the current taxable period (in principle FY 2020) for an amount up to EUR 20 million.

Corona (III) (approved on 9 July 2020) includes different measures, under which a.o. (i) a reduction of 50 % of professional withholding tax under certain conditions, (ii) a tax free consumption check, (iii) an elevated deduction of receptions costs, (iv) an increased investment deduction for investments made between 12 March and 31 December and (v) a tax shelter regime until the end of the year which allows for a tax credit when investing a certain amount in SME’s which have been impacted by the pandemic.

Another more specific “exit-strategy” measure is adopted through the Royal Decree of 8 June 2020 which has temporarily set the VAT-rate for restaurant- and catering services at 6% instead of 12% until 31 December 2020.

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 29.07.20)*

The Federal ministries of Health and Economy have quickly established a series of measures to cope with the COVID-19 crisis. The most important measures were established 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 taxpayers. This measure has been extended until July 31, 2020.

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

The deadlines of judicial and administrative procedures within the Federal Revenue Service (*Receita Federal do Brasil*) have been suspended until July 31, 2020

Extension of the period of validity of tax regularity documents

The validity extension of 90 days refers to debt clearance documents with the Federal Government.

Postponement of payment of the Severance Indemnity Fund (FGTS)

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

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

The payment of Federal taxes due in March, April and May by small and medium sized companies was postponed for a six months period.

The payment of taxes due at State and Municipal levels (ICMS and ISS, respectively), due in April, May and June, has also been postponed for three months.

Postponement of payment of fees and contributions levied on telecommunication services

A Provisional Measure issued by the Federal Government has postponed the payment of specific fees and contributions levied on telecommunication, radio and audio video services originally due on March 31, 2020.

Postponement of the filling date of Federal tax ancillary obligations

The Brazilian Revenue Service has issued Normative Instructions that extended the deadline for filling certain Federal tax ancillary obligations (EFD-*Contribuições*, DCTF and DIRF).

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 the companies’ revenues and are destined to certain private entities that are engaged in social development works.

Tax Exemption for medical and hospital products

Exemption, valid until September 30, 2020 of the Import Tax (levied on the import of goods) and the Tax on Industrialized Products (Federal Excise Tax) levied on products that are considered important to the prevention of COVID-19 and to the treatment of infected patients. The list of exempted products has been broadened and updated overtime.

In addition, a Normative Instruction issued by the Brazilian Revenue Service updated the customs clearance procedures for importation of inputs to combat the COVID-19.

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

Brazilian residents, (both companies and individuals), are obliged to deliver to the Federal Revenue Service a statement declaring assets owned by the Brazilian resident that are located abroad. Due to the COVID-19 pandemic, the delivery term was postponed to June 1st, 2020, for Brazilian residents that deliver the DCBE annually, and postponed to July 15, 2020 for residents that deliver the DCBE quarterly.

IOF exemption on credit operations

Credit operations (loans, acquisition of foreign currency or insurance contracts) had their IOF (tax on financial transactions) rate reduced to zero for a period of 90 days (from April to July 2020). This measure has been extended until December 2, 2020. Furthermore, the additional IOF rate of 0.38% applicable on credit operations has also been reduced for the same period.

Postponement of the payment of PIS, COFINS and INSS

The Government has postponed the payment of the PIS (employees’ profit participation program), of the COFINS (contribution for social security financing), and of the employers’ INSS (social security contribution) for two months. Accordingly, the PIS, COFINS and INSS due on the months of April and May must be paid in the months of August and October 2020. These contributions are levied on payroll, on import transactions and on gross revenues, being applied at different rates.

More recently, the deadline in June 2020, for payment of the PIS/COFINS and INSS, has been extended to November 2020.

Postponement of the filing of the income tax return

The Brazilian Revenue Service has postponed the deadline for the filing of the income tax return. For individuals, the deadline was moved from April 30 to June 30, 2020. In the case of legal entities, the deadline for filing the corporate income tax return (ECF), originally scheduled for the last working day of July, has exceptionally been extended to September 30, 2020.

Postponement of the term for exportation under the drawback regime

A Provisional Measure issued by the Federal Government postponed in one year the term for exportation under the drawback regime, which provides for the suspension or exemption of taxes on imported input used in the manufacturing process of exported goods.

In addition, a Provisional Measure has granted a flexibilization of the requirements made to companies that operate in the Export Processing Zone (ZPE). In this regard, companies that have been impacted by the COVID-19 pandemic crisis and were not able to maintain their regular export sales flow at a minimum of 80% of their total gross revenues will not be held responsible for not fulfilling this requirement.

Companies in the ZPE region are eligible to a variety of tax benefits, if compliance with the respective legislation is met.

IPI zero rate for essential products

Decreases issued by the Federal Government reduced to 0% the rate of Excise Tax (IPI) applied on several products used to combat the COVID-19, such as digital thermometers, antiseptic solutions, protective gear, among others. This measure is valid until September 30, 2020.

Flexibilization of the requirements for beneficiaries of the Recof and Recof-Sped regimes

The Brazilian Revenue Service has issued a Normative Instruction flexibilizing some requirements applicable to companies that benefit from the suspension of taxes on imports and domestic acquisition of goods for industrialization, under the so called Recof and Recof-Sped customs warehouse regimes. In this regard, the industrialization and export indexes required for maintaining the regimes have been reduced in 50% between May 1st, 2020 and April 30, 2021.

5.2. Social Measures

Emergency aid to low-income informal workers

A bill has been recently passed to aid the Brazilian population in a situation of vulnerability due to the lack of economic activity 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. A Decree issued by the Brazilian Government on July 1st, 2020, has extended the payment of the aid for two additional months.

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 was anticipated to May and the yearly bonus to low-income workers was 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 exit of goods considered essential to cope 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

The 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 address the COVID-19 pandemic crisis.

Reduction of working hours and remuneration to preserve jobs

Two Provisional Measures have been issued by the Brazilian Government to allow employers to reduce working hours and remuneration of employees, in 25%, 50% or 70%, for up to 90 days. In turn, employees receive a temporary stability in their jobs and receive an emergency benefit from the Government. The measures also allow the suspension of work contracts for up to two months, with payment of the respective unemployment insurance.

Employees are able to withdraw part of the FGTS

The Federal Government has transferred resources collected from the PIS contribution to the Severance Indemnity Fund (FGTS), allowing employees to withdraw BRL 1,045 (per individual). The withdrawal of FGTS is normally restricted to specific situations (e.g., retirement, acquisition of family real estate, dismissal without fair cause).

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 pandemic 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 increase in the granting of credit capacity.

Reduction of interests

Loan interest contracted by Social Security beneficiaries has been reduced.

Credit line for Fintechs

Fintechs were included in a BRL 5 billion credit line granted by the Federal Government through the National Bank for Social and Economic Development (BNDES).

Financing of the payroll of medium and small sized companies

The Federal Government issued a Provisional Measure to finance the payroll cost for medium and small companies, for up to two months, at a reduced interest rate and with zero banking spread. In turn, companies must maintain their labor force.

Credit line for the Tourism sector

The Federal Government has granted a BRL 5 billion credit line for the Tourism sector. The resources will be used to support this segment (including travel agencies, tourism transportation companies, convention centers, entertainment and leisure enterprises, theme parks, car rental companies, hotels, restaurants, cafeterias, among others), which has been greatly impacted by the COVID-19 pandemic crisis.

Financial institutions prevented from remunerating partners until December 2020

The Brazilian Monetary Council has issued a Resolution broadening the restrictions for remuneration of capital, increase in management remuneration, buyback of shares and capital reductions. These rules must be observed by financial institutions and other entities authorized by the Brazilian Central Bank to operate in the financial market.

Final remark: Please note that this is a summary of the main provisions issued especially by the Brazilian Federal Government. There may be other specific measures not listed in this material.

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

6. CANADA (UPDATED 12.08.20)

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 individuals 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 not 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.
 - On July 27, 2020, the CRA announced that the payment due date for current year individual, corporate, and trust income tax returns, including installment payments, will be extended to September 30, 2020. Penalties and interest will not be charged on payments made by September 30, 2020.
- The CRA is waiving interest on existing tax debts related to individual, corporate and trust income tax return for April 1, 2020 to September 30, 2020. Similar relief is provided for GST/HST returns from August 1, 2020 to June 30, 2020.
- 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.
- The federal government is providing a special one-time-tax payment to individuals who are certificate holders of the Disability Tax Credit (DTC) as of June 1, 2020. Those who qualify will receive payment automatically as follows:
 - \$600 for Canadians with a valid DTC certificate

- \$300 for Canadians with a valid DTC certificate and who are eligible for the Old Age Security (OAS) pension
 - \$100 for Canadians with a valid DTC certificate and who are eligible for the OAS pension and the Guaranteed Income Supplement (GIS)
- 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 businesses 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.
 - For corporations that would otherwise have a filing due date in June, July or August, 2020, the T2 filing due date has been extended to September 1, 2020. However, the CRA will not impose late-filing fees as long as the return is filed by September 30, 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.
 - On July 27, 2020, the CRA announced that the payment due date for current year individual, corporate, and trust income tax returns, including installment payments, will be extended from September 1, 2020 to September 30, 2020. Penalties and interest will not be charged on payments made by September 30, 2020.
 - The CRA is waiving interest on existing tax debts related to individual, corporate and trust income tax return for April 1, 2020 to September 30, 2020. Similar relief is provided for GST/HST returns from August 1, 2020 to June 30, 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 filing 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.
- Tariffs on certain medical goods, including PPE such as masks and gloves, have been waived.

6.2. Social measures

- **Measures announced for individuals include:**
 - All provinces and territories have confirmed, or are in the process of confirming, plans to top-up wages for essential workers. The federal government will provide up to \$3 billion in support. Each province or territory will determine the eligibility requirements and the amounts of the top-up. Further 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. As the CERB winds down in the coming month, the government is contemplating the transition from CERB back to Employment Insurance (EI). For workers who do not qualify for EI (such as gig or contract workers), the government is anticipating creating a transitional parallel benefit similar to EI. On August 10, the government announced a minimum unemployment rate of 13.1% to be used in the EI formula to calculate benefits. Individuals living in a region with a lower unemployment rate will have their EI benefits calculated at the 13.1% rate, and those living in a region with a higher rate of unemployment will have their benefits calculated on the basis of the actual unemployment rate for that region. This minimum unemployment rate will provide a minimum entitlement to benefits for 26 weeks and set 14 weeks as the number of best weeks of earnings used in the calculation of the weekly benefit.
 - 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.
- A new distinctions-based Indigenous Communities Support Fund (\$380 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.
- \$25 million will be provided to Nutrition North Canada to increase subsidies to help families afford personal hygiene products and nutritious food.
- Another \$75.2 million in distinctions-based support will be offered to support First Nations, Inuit and Metis Nation post-secondary students.
- Another \$285.1 million will fund community-led responses to the pandemic and provide more primary health care resources for First Nations communities.
- \$270 million will supplement the On-Reserve Income Assistance Program to address increased demand of the program, helping individuals and families meet essential living expenses.
- Twelve new shelters will be built over five years using \$44.8 million of assistance to help protect and support Indigenous women and girls experiencing and fleeing violence. The federal government will also provide \$40.8 million to support the operational costs of these new shelters over the first five years, and then \$10.2 million annually thereafter. The federal government is also announcing \$1 million per year to support engagement with Metis leaders and service providers on shelter provision and community-led violence prevention projects, starting this year.
- 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.
- The Federal government will provide \$100 million to the Canadian Red Cross to enhance their response capacity and to support public health efforts.
- \$15 million will be invested in 2020-21 to provide community organizations with resources to improve accessibility and access to jobs, including helping employers set up accessible and effective work-from-home arrangements. Another \$1.18 million will be invested in five new projects through the Accessible Technology Program across the country to develop technology like accessible payment terminals for retailers.
- **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 until August 29, 2020, retroactive to March 15. 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.
 - On Friday, July 17, 2020 substantial changes were announced to the CEWS program and legislation passed those into law on July 27, 2020. The primary change was to revise the revenue thresholds that permit employers with any revenue loss to qualify for the program. Certain employers hit particularly hard can receive a new "top up". The deadline for applications has been extended to **January 31, 2021**. Further discussion of the changes are detailed here: https://www.blg.com/en/insights/2020/07/substantial-changes-announced-to-the-cews-program?utm_campaign=5c5c851718ec3c00010012d4&utm_content=5f122211d9190300015704ac&utm_medium=smarpshare&utm_source=linkedin

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 38 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 will be provided through the Women Entrepreneurship Strategy (WES) to enable organizations to provide timely support and advice to women entrepreneurs facing hardship because of the COVID-19 pandemic.
- \$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.
- \$133 million in new funding will support Indigenous business through the pandemic and into recovery.
- Another \$16 million will support the Indigenous tourism industry.
- 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.
- o 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/> and <https://www.bankofcanada.ca/2020/06/fad-press-release-2020-06-03/>
- o 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, providing commercial loans ranging between \$12.5 million and \$60 million.
- o 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.
- o 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:**
 - o Workers in the food supply chain: \$50 million will be provided to help farmers, 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.
 - o 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.
 - o The government is creating a \$77.5 million Emergency Processing Fund to help food producers access more PPE.
 - o A national AgriRecovery initiative is being launched for up to \$125 million to help producers with their additional costs incurred under the pandemic.
 - o 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.
 - o The Surplus Food purchase program will be launched with an initial fund of \$50 million to redistribute existing and unsold inventories.
 - o 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 AgrilInsurance 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 launched the Fish Harvester Benefit to provide income support for this year's fishing seasons to self-employed fish harvesters and sharepersons crew who cannot access CEWS. This support is for those experiencing fishing income decreases of more than 25% in the 2020 tax year, compared with a reference period to be identified. It also covers 75% of fishing income losses beyond a 25% income decline threshold, but to a maximum individual entitlement equivalent to what is provided under CEWS (\$847 per week, up to 12 weeks). More details forthcoming.
- The Fish Harvester Grant was launched to provide grants to fish harvesters impacted by the pandemic who are ineligible for the Canada Emergency Business Account or equivalent measures. This will provide more liquidity to address non-deferrable business costs. The program will provide up to \$100,000 of non-repayable support to self-employed fish harvesters with a valid fishing licence. More details forthcoming.
- The federal government is proposing measures or changes to Employment Insurance that would allow fish harvesters and sharepersons to access EI on the basis of insurable earnings from previous seasons. More details forthcoming.
- The federal government established an Emergency Support Fund of \$500 million to alleviate financial pressures of cultural, heritage and sport organizations.
- \$25.7 million will be invested to help Canada's six national museums and the National Battlefields Commission.
- 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.
- \$17.3 million will be provided to the governments of the three territories to support critical air services to Northern and 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.
- The government is providing wage support for up to 75% of individuals working in universities and health institutes, up to \$847 per week per employee. 75% of total eligible costs for research activities will also be covered, supporting activities like the safe storage of dangerous substances, and restarting data sets that were interrupted during the pandemic.
- The federal government is accelerating \$2.2 billion in annual federal infrastructure funding for communities through the Gas Tax Fund.
- The government proposes to protect jobs and safe operations of junior mining operations and other flow-through share issuers by extending by 12 months the timeline for spending the capital they raise through flow-through shares.

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 03.07.20)

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, recently extended for another 90 more. 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.

1. Income Tax

- Provisional monthly payments (Pagos provisionales mensuales, PPM): PPM payment is suspended for the next 3 months. This measure came into force in April 2020.
- 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 31, 2020, regarding the tax return filed in April 2020. The original deadline for filing and paying income tax was April 30, 2020.
- Expenses incurred by companies to deal with the COVID - 19 contingency will be accepted as deductible for tax purposes. Immediately in force.
- Extensions were provided for deadlines to present sworn statements related to income tax return process for year 2020. Immediately in force.
- Income Tax refunds to which individuals and SMEs were entitled was moved forward to April 2020. Under normal circumstances, this refunds took place in May.

2. 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 came into force in April 1, 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.

3. 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 came into force in April 1, 2020.
- 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 came into force in April 1, 2020.

4. 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:

- ITE 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%.
- 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 Code.

5. Others Measures

In the case of SMEs and low-income individuals, there will be more flexibility to enter into tax debt payment agreements with the General Treasury of the Republic.

7.2 Labour Measures

1. Telecommuting Law

On April 1st, 2020 the **Law that Modifies the Labor Code on Telecommuting** entered into force. Nevertheless, regarding companies whose employees began providing telecommuting services before April 2020, the Companies must comply with the terms of the law as **from July 2020**.

Employers will have the obligation to electronically register the contracts and/or annexes where telecommuting or remote work has been agreed, within the fifteen days following the signing of the agreement.

The concepts of remote work and telecommuting are distinguished and defined:

- a) **Remote Work:** Agreement that empowers the employee to provide its services in whole or in part, from its home or other place or places other than the company's establishments.
- b) **Telecommuting:** When the services are provided through the use of technological means, computer or telecommunications, or when the services provided must be reported through such means.

The agreement of any of these options in no case may imply an impairment of the rights recognized by the Labor Code, especially regarding the employee's remuneration. Employees are also recognized all individual and collective rights, as long as are not incompatible with the provisions of said chapter.

It is indicated that the parties must determine where these services will be provided, which may be the worker's domicile or another place. Additionally, and considering services that because of their nature can be rendered on different locations, employer and employee can agree on the employee freely choosing where to provide his/her services.

However, it is indicated that if the employee provides services in places designated and facilitated by the employer, it will not be considered remote work or teleworking even when these locations are situated outside the company's premises.

Equipment, tools and materials for remote work or telecommuting, including personal protection items, **must be provided by the employer** to the employee and **the latter may not be forced to use items**

owned by him. Similarly, the costs of operation, functioning, maintenance and repair of equipment will always be borne by the employer.

The employer must inform in writing the existence or not of legally constituted unions in the company, either at the time of starting the work or within 10 days after the union's constitution has been communicated.

On the other hand, the worker who provides its services in telecommuting mode must always be able to access the company's facilities and, in any case, the employer must guarantee that the employee can participate in the collective activities carried out, being the responsibility of the employer the transportation costs of the workers.

2. Access to Unemployment Insurance Benefits Law

On April 6th, was published and entered into force the Law N°21,227 that seeks to facilitate the access of employees to the unemployment insurance benefits of Law N°19,728 in exceptional circumstances protecting the income of employees, subsequently supplemented by Law N°21,232, they seek to counteract the harmful effects of Coronavirus disease on the economy and specifically on employment. This measure, and its complement, seek to guarantee the income of those employees who, due to the emergency must remain at home without the possibility of telecommuting.

This bill establishes:

- Extraordinary access to unemployment benefits due to the declaration or act of authority that sets out the total cessation of activities, or by mutual agreement of the parties. The effect of the law is the temporary suspension of the employment relationship:
- a) **For the worker:** it implies the temporary cessation of the obligation to provide services. The unemployment insurance will cover part of the employee's remuneration while the suspension is in force.
- b) **For the employer:** The obligation to pay the remuneration is suspended, but the employer must continue paying social security contributions, with the exception of social security contributions for Law No. 16,744 related to Labor Accidents and Professional Illnesses.

The law does not apply to the worker who has agreed with his employer the continuation of the services and the total or partial payment of his remunerations, for example in the telecommuting modality. It also does not apply in case that the employee receives a subsidy for incapacity for work, among other exceptions.

- **Pacts for Temporary Reduction of Working Hours**

In this case, the law establishes the possibility of agreeing to reduce working hours, up to 50%. If the agreement is formalized, the employer will pay part of the remuneration, and the worker will be entitled to receive a supplement from the unemployment insurance.

3. Labour and Compliance

On June 20th of this year, Law N° 21,240 was enacted amending the Criminal Code and Law N° 20,393

to sanction the violation of quarantine and isolation rules ordered by the health authority, in the context of an epidemic or pandemic.

The main modifications are:

I. The Criminal Code was amended to increase penalties and fines for offences against public health.

The bill amended article 318 of the Chilean Criminal Code, increasing sanctions for crimes against public health considering imprisonment of 61 days to 3 years. In the same way, fines are considerably increased to reach the equivalent of USD 7,000.

Also, a new aggravating circumstance for the crime is incorporated when it is committed through the organization of public shows, celebrations or festivities prohibited by the health authority in times of catastrophe, pandemic or contagion.

II. New criminal sanctions for the propagation of pathological agents in violation of an order issued by the health authority (Article 318 bis of Criminal Code).

The bill introduces criminal sanctions to any person who knowingly generates risk of spreading pathological agents in violation of a health authority order, in time of pandemic, epidemic or contagion, with imprisonment of 541 days to 5 years and fines up to the equivalent of USD15,000.

III. New criminal sanction has been introduced for employers who order an employee under sanitary isolation zone restriction to attend his/her workplace (Article 318 ter).

Employers who order an employee to attend his/her workplace, when such place is not the employee's home or residence, and such employee is on quarantine or under mandatory self-isolation dictated by the sanitary authority, shall be punished with imprisonment of 61 days to 3 years and fines up to the equivalent to USD 7,000 per employee.

IV. Amendment to Law N° 20,393 regarding the Criminal Liability of Legal Persons.

As a consequence of the new criminal sanction described in section III above, the bill amended article 1 of Law N° 20,393, establishing criminal liability under Article 318 ter to all types of legal entities who order an employee to attend his/her workplace, when such place is not the employee's home or residence, and such employee is on quarantine or under mandatory self-isolation dictated by the sanitary authority.

The law sets three types of penalties applicable should a legal entity be held liable:

- Temporary ban for the execution of contracts with the Government.
- Temporary loss of tax benefits or absolute prohibition to receive such benefits for a period of 2 to 3 years.
- Fines of up to USD 2,500,000.

7.3 Banking and Finance 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 Plan 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:

BENEFICIARY SMEs TYPE	SME'S NET ANNUAL SALES	MAXIMUM AGGREGATE LOAN AMOUNT
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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.)

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

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 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).

7.3.3 Regulatory measures issued by the Financial Market Commission (“CMF”) a response to the pandemic that impact the Financial Service sector

The deadline for submission of audited financial statements that supervised entities must submit to the CMF in March was extended for an additional 15 calendar days (Directive 1.142 of CMF).

The deadline for banks to liquidate the debtor's assets adjudicated between March 1st 2019 and September 30th 2020 in a liquidation process for unpaid obligations is extended by 18 months. Also allowed banks to adjust and depreciate partially and in proportion to the number of months between the date of its reception and that fixed for its sale the price of the debtor assets (Directive 2.247 of CMF)

First application of the new provisions and criteria of the Compendium of Accounting Standards is postponed to January 2022 (Directive 2.249 of CMF).

It is allowed to consider as part of the voluntary provisions that make up the effective equity of the banks, a proportion of the guarantees granted by the Treasury, CORFO and FOGAPE, which cover the credits granted by the banks (Directive 2.250 of CMF).

Banks are temporarily authorized to fulfill with the legal reserve requirements in foreign currency for the period between March 9th and September 8th, 2020 in euros or Japanese yen (Directive 2.254 of CMF).

7.3.4 New bill for the proper functioning of the financial system entered by the Government.

On June 4, 2020 the government with support of the Financial Market Commission have submitted a bill, which amends various legal provisions in order to ensure the proper functioning of the financial system. Some of the main modifications proposed by the bill is to: (i) increase the range within which Banco Central may set the limit for the investment of Pension Funds in alternative assets; and (ii) allow Pension Funds to invest in debt securities not registered in the Registry maintained by the commission for the financial market, provided that certain conditions have been met.

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 28.05.20)

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 03.07.20)

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 off 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. CYPRUS (UPDATED 25.06.20)

10.1. UPDATES RELATED TO COMPANIES

1. The process of publication, in the Official Gazette of the Republic, of the 3-months' notice prior to the strike-off of companies that fail to comply with their obligations to file outstanding annual returns is suspended until January 2021;
2. The possibility of payment of the annual levy of €350 for 2020 is extended to 31 December 2020, without the imposition of the penalty of 10% and 30%;
3. The implementation of the monetary penalty for late submission of forms to the RoC – for example, for the change of directors and/or secretary (HE4), change of registered office (HE2), transfer of shares (HE57), allotment of shares (HE12), annual returns (HE32) etc. – is postponed to 2021; and
4. The annual returns (HE32) with preparation date from 01/01/2020 to 31/12/2020 may be submitted to the RoC by 28/01/2021, without the imposition of the additional penalty of €20 for late submission.

10.2. MEASURES TAKEN BY THE GOVERNMENT OF CYPRUS

The new plan of measures to support the Economy was presented on 16/07/2020 by the Ministers of Finance and Labor.

The economic support package shall include five targeted sectors to support workers and businesses over the next four months

The new special plans, which will cover the period from June 13 to October 12, concern four plans to support workers and businesses and one to support the unemployed. Beneficiaries of the plans are expected to rise to 50,000.

Of the four plans, two concern companies operating in tourism or are directly affected by tourism or have economic activities associated with companies that are subject to mandatory full suspension of operations. The third plan concerns companies with certain economic activities and the fourth concerns companies with a complete suspension of operations.

10.3. THE CYPRUS FLIGHT PASS

The Republic of Cyprus shall reopen its airports 20.06.2020 (Phase B) to all travellers based on country classification. To enter Cyprus travellers will be required to complete a "Flight Pass" online which will be presented upon boarding the aircraft to Cyprus and upon landing in Cyprus. This new digital tool is accessible at <https://cyprusflightpass.gov.cy>

10.4. VAT PAYMENT DUE DATE

VAT payment can be delayed without any penalty and interest for all businesses except those with economic activity codes who basically fall within the category of those that are fully operational during this period (pharmacies, supermarkets, etc) provided that the tax returns are filed within their prescribed deadlines the VAT liability to be paid by November 10, 2020.

10.5. FILING DUE DATE

Filing of monthly VAT returns is still mandatory and must be done within the deadline - 20th day of the following month.

Tax return payment for physical persons for the year 2019 is extended until October 30th, 2020.

10.6. PENALTIES FOR LATE PAYMENT

No penalties until 10 November 2020.

For updated information please contact your Taxand team in the Cyprus on www.eurofast.eu.

11. CZECH REPUBLIC *(UPDATED 12.08.20)*

11.1. 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 is submitted by 18 August 2020 at the latest (except for companies registered with Specialized Tax Authority such as banks, insurance companies and large companies).

Utilization of tax losses

The Czech parliament approved that losses of 2020 and onward up to CZK 30 million (approx. EUR 1,1 million) may be claimed in 2 preceding taxable periods. Up to now, the tax losses can be claimed in 5 subsequent taxable periods without limitations. The loss carry-back is eligible via a supplementary tax return. Exceptionally, it should be possible to claim a 2020 loss (as estimated by the taxpayer) already in the tax return for 2019.

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 is submitted by 18 August 2020 at the latest.

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. A taxpayer can apply for the postponement of the VAT payment based on individual request. No interest will be charged until 31 December 2020. The penalty for the late submission of the VAT return can be waived based on the individual request provided that the reasons are connected with the coronavirus pandemic.

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 specific goods connected with the combat against the coronavirus pandemic (face masks, protection material, disinfection, etc.). The exemption is applicable on the gratuitous supplies which were delivered from 12 March 2020 to 31 July 2020.

Reduction of the VAT rate for accommodation services

The Czech parliament has approved that the VAT rate for accommodation services and sport and culture activities will be reduced from 15% to 10%.

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 late payment interest on postponed tax payments

A general waiver of the late payment interest has been granted if the late payment interest arises in the period from 12 March 2020 to 31 December 2020 on tax payments that were postponed based on an individual request.

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

A general waiver of the penalty for late filing of real estate acquisition tax returns that should be filed within the period from 31 March 2020 to 30 November 2020 has been approved. The waiver is granted if the tax returns are submitted by 31 December 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 December 2020.

Deferral of social security contribution payments

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 a late payment of social insurance contributions will still be assessed, however in an amount reduced by 80%. The reduction applies only if employee's part of social insurance contributions (i.e. 6.5% deducted from employee's salary) is duly paid by the employer in the full amount and within the original statutory deadline for months for which the payment of employer's contributions was deferred.

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 until 31 December 2020.

Cancellation of real estate acquisition tax

The Chamber of Deputies has approved the cancellation of the real estate acquisition tax. The removal applies with retroactive effect for any acquisition made as from December 2019. In this respect, already paid taxes shall be refunded.

Reduction of road tax

The Czech parliament approved that the road tax for vehicles with a maximum permissible weight of more than 3.5 tons is reduced by 25%. The amendment shall be effective retrospectively from 1 January 2020.

Remission of interest for late payment of prepayment of Road Tax

Remission of the interest for late payment of prepayment of Road Tax due in April and July provided the prepayments are paid until 15 October 2020.

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 or 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. This applies also for shareholders of limited liability companies with no employees. Conditions are: i) limited liability company with no more than 2 shareholders or shareholders who are members of one family ii) turnover for 2019 at least CZK 180,000.

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 deadline for filing the annual statements to the health institutions have been postponed till 3 August 2020. The deadline for filing the annual statements to the social security insurance institutions have been postponed till 18 September 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](#).

11.2. 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 to August 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.

C. Plan C

The Czech parliament approved that companies with less than 50 employees are exempt from making employer's part of social security contributions for the months June to August 2020 (max. CZK 12,950 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](#).

11.3. 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 does 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 approved 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 maximal amount of the support is CZK 10 million per an applicant (approx. EUR 375 thousand).

E. Financial support for owners of accommodation facilities

Government approved a new accommodation programme. It aims at supporting accommodation facilities, which had to close their business premises in consequence of coronavirus prevention measures. The decisive period is from 14 March to 24 May 2020. The amount of support will range from CZK 100 to 300 per room and night and will depend mainly on the type of accommodation facility. For drawing on the support the condition that the applicant did not have arrears on health insurance contributions or arrears in relation to public payment duties on 14 March 2020 must be fulfilled. The accommodation program must be notified by the European Commission.

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

12. FINLAND *(UPDATED 29.07.20)*

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. The state of emergency was declared to end on 16 June 2020. However, certain measures are still valid despite the end of state of emergency. This presentation summarizes tax and other relevant measures for companies and other businesses.

12.1. 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 and property 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***
 - VAT paid by companies between January and March may be returned to companies and treated as a loan. This measure to be applicable requires the taxpayer's request. If the company's tax period for VAT is one year, the company can request a refund of 25% of the company's total VAT remitted in 2019.
 - The prerequisite for the measure is that the refunded and postponed value added taxes must be repaid to the State within two years as a part of payment arrangement. Therefore, the refunded VAT takes a form of a loan, and the companies could borrow already remitted value added taxes from the State. However, interest will apply. The request for the payment arrangement and the refund of already remitted VAT from the Finnish Tax Administration may be submitted as of 26 May 2020 and by 31 August 2020.

- ***Tax refunds will not be automatically utilized against the taxes in the payment arrangement***
 - Taxpayers' tax refunds shall not be used to settle a tax debt included in a relieved payment arrangement or deferral of payment if the request for payment arrangement has been submitted after 25 March 2020.
 - Instead, the tax refunds are paid to the taxpayer if there are no other objects for the refund. The amendment is temporary and remain in force until the end of 2020.
 - Furthermore, if the tax refunds received in April, May or June has been already used to settle a tax debt, the taxpayer may request for cancelling the usage of these tax refunds, and the taxpayer will receive these tax refunds.

- **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 on imports outside of the EU**
 - In accordance with the Commission Decision (2020/491) medical devices are admitted free of import duties and exempted of VAT on the imports if the devices 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 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.

- **Temporary exemption of VAT on particular sales and acquisitions inside of Finland and EU**
 - The Government has proposed that the above exemption of value added tax would be extended to regard also sales of particular medical devices within Finland and intra-community acquisitions inside of the EU. In accordance with the proposal, the Value Added Tax Act would be temporarily amended so that the equipment used for prevention of COVID-19, testing and treating would be considered tax exempt in such cases.
 - In accordance with the proposal the tax exemption would regard:
 - sales to public health care providers;
 - sales to public social welfare providers; and
 - the organizations approved by Customs administration
 - The amendment would be applied retrospectively as of 30 January 2020 and remain in force until 31 July 2020.

- **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.

- In addition to earlier proposal, the Government has proposed that the rate of late-payment interest on taxes in a payment arrangement and deferred taxes would be further lowered from 4% to 2,5%. The amendment would regard taxes that has fallen due between 1 March and 31 August 2020, and VAT subject to eased payment arrangement.
 - 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.
 - If the tax prepayments have fallen due, the company may request for a payment arrangement with eased terms, as described above.

12.2. 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.
 - Employees have been entitled to unemployment benefit with eased terms (despite of the business activities or studies) as of 1 April 2020. The government has proposed that the amendments would be continued to remain in force until the end of 2020.
- **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.

- **Temporary financial support to basic social assistance clients**

- The Finnish Government has proposed temporary compensation to basic social assistance clients due to epidemic. The purpose of the temporary compensation is to support the most vulnerable persons and families who have incurred extra costs as a result of the restrictions imposed by the coronavirus epidemic.
- The aid would cover persons who have received basic social assistance during the period of restrictions, if they continue to receive basic social assistance during the payment period in autumn 2020. The aid would not be taken into account when granting social assistance.
- The amount of compensation would be EUR 75 per person per month. No separate application would be needed for it. The payment of compensation would begin in September and end in December 2020.

- **All the events for over 500 people are prohibited**

- 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) until 31 July 2020 with the exemption that events organized outside can be organized for over 500 people if specific and strict rules given by the Finnish authorities concerning safety can be in practice followed. As of 1 August 2020, events for over 500 people are permitted, upon condition that safety instructions given by Finnish authorities can be followed.

- Also, the schools were closed until 13 May 2020 but were reopened on 14 May 2020.
- All the restaurants and cafes had to remain closed until 31 May 2020 after which the restaurants and cafes have been reopened gradually. However, some limitations have remained, e.g. the restaurants and cafes are allowed to fill only half of the seats inside of the restaurant or cafe. The legislative amendment regarding limitations of restaurants will be in force as of 1 June and remain in force until the end of October 2020. The opening hours of restaurants and cafes are also limited to 6.00-23.00 until 21 June 2020 and to 4.00-2.00 22 June onwards. Only 75 % of the restaurant's client capacity may be used.
- **Temporary restrictions on the maximum interest rate and marketing of consumer credits**
 - In accordance with the legislative amendment, the maximum interest rate in part of the consumer credits will be temporarily lowered to 10 %. Furthermore, the direct marketing of such credits will be prohibited. The legislative amendment is intended to ensure the moderation of the credit interest rates and to prevent credit from being marketed directly to consumers in sudden financial difficulties through overwhelming means.
 - The temporary interest rate-cap does not concern commodity-linked credits such as general credit card debts or car installment sales. The Act will take effect on 1 July 2020 and remain in force until the end of 2020.
- **Mobile application for tracking the covid-19 chains of infection**
 - The amendments to Communicable Diseases Act enables development of mobile application which will increase the effectiveness of cutting the chains on infections caused by covid-19. The usage of the application will be voluntary and it will be developed while fully respecting data security, data protection and fundamental rights. The aim of the mobile application is to support the management of the covid-19 epidemic and to affect the prevention of spreading of the coronavirus
 - The President of Republic of Finland ratified the amendment to the legislation on 9 July 2020 and the law will take effect on 31 August 2020.

12.3. 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. The Government has proposed that the unemployment protection would be available for self-employed entrepreneurs until 31 December 2020.

- ***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 Act was ratified and entered into force on 5 June 2020.
 - The support for re-employment: By means of finance for re-employment, the restaurants become more prepared and capable of re-employing employees, and are more capable of reaching the

same number of employees as before the COVID-19 lockdown, now that the restaurants have reopened. The amount of support is EUR 1,000 per an eligible employee. The support will be paid of the employee to which the company pays wages EUR 2,500 at the minimum during the next following months. In addition, the restaurants would be granted support for re-employment of agency contract workers.

- The compensation for the period of restrictions: The compensation has been targeted to companies in the restaurant sector in order to compensate rental and other inflexible costs. The amount of compensation is proportioned to the specific restaurant company's change of sales. In accordance with the Act, only those companies are entitled to the compensations whose sales in the April 2020 were lower than the average sales in January and February. Also, the seasonal changes will be considered separately when assessing the amount of the compensation. In proportion to these items, a reasonable compensation of 15% will 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 is 5% based on the advantages of scale and the bargaining power of large companies. The maximum compensation is EUR 500,000 per a restaurant.
- **Special financial support provided for companies**
 - The Act and Statute regarding financial support have been approved and has come into effect as of 1 July 2020. In order for companies to receive the special support, the net sales of the whole branch of business and the specific company must have decreased remarkably due to COVID-19. The Finnish State Treasury will provide information for how to apply for the support in more detail. The financial support may be applied for electronically from the Finnish State Treasury as of 7 July 2020.
 - Prerequisite for receiving the special financial support is that the net sales of the branch of business of the company has dropped 10 % at minimum compared to the reference period. In case the company operates in such branch of business, the additional prerequisite is that the net sales of the specific company has decreased by 30 % at minimum compared to the reference period.
 - The support may be received based on the company's fixed costs and labour costs. The maximum amount of the support is EUR 500 thousand for the two-month period. The support for less than EUR 2 thousand will not be paid to companies because financial support that low does not save the company from bankruptcy. The companies which has been in economic difficulties 31 December 2019, has neglect their tax liabilities or which are bankrupt, cannot receive this special financial support.

12.4. 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.borenium.com>

13. FRANCE (UPDATED 12.08.20)

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.

13.1. 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* ».

- For companies benefiting from this deferral, instalment for June is suspended. Instalment for September will have to be adjusted accordingly;
- In situations where the instalment for March 2020 corresponds to a 4th instalment (i.e. for financial years ending between February 20th and May 19th, then these payments are suspended (carry-over to the balance and the 1st instalment for the following financial year must be paid in accordance with applicable common rules.

Automatic deferral of the CIT instalments for all companies

The Government announced in a press release dated May 29th, 2020 that the deferral of the CIT 2nd instalment from June 15th to June 30th automatically applies to all companies, without any particular formality.

Easing of the adjustment of CIT instalments n° 2 to 4

Modalities of the easing:

- 2nd instalment may be adjusted so that the sum of the 1st and 2nd instalments corresponds to at least 50% of the expected amount of CIT for the current financial year, with a 30% margin of error;
- 3rd instalment may be adjusted so that the sum of the 1st, 2nd and 3rd instalments corresponds to at least 75% of the expected amount of CIT for the current financial year, with a 20% margin of error;
- 4th instalment may be adjusted so that the sum of all instalments corresponds to at least the expected amount of CIT for the current financial year, with a 10% margin of error;

These options are available for instalments n° 2 to 4 of current and upcoming financial years beginning before August 20th, 2020.

In case of under-adjustment, the 5% surcharge and interest for late payment may apply, at the time of the balance, on the difference between the expected amount (less the margin of error) and the effectively paid amount.

These flexibility options are subject, for large companies (companies or groups with at least 5,000 employees or a turnover of more than € 1.5 billion), to compliance with commitment of responsibility (non-payment of dividends, etc.) concerning support measures (see part 4).

Rules applicable to the last instalment for large companies (payment obligation of 95% and 98% of the CIT for the current financial year) remain unchanged.

For companies that have postponed the payment of their instalment of March 2020, in addition to the possibilities of modulating future instalments described above:

- when the March instalment has been postponed, it must be paid by June 15th, 2020, i.e. after the 3 months of postponement initially planned;
- the June instalment is suspended (the September instalment must "catch up" with this deleted deposit - if necessary, by opting for the modulation described above);
- **Specific case:** if the March 2020 instalment corresponded to a 4th deposit (fiscal year ending between February 20th and May 19th), it is suspended (carry over to the balance) and the 1st instalment of the following year must be paid following common rules.

In the same way as previously, these methods of deferring the deposit from March 2020 are only offered to large companies if they respect the aforementioned liability commitments (non-payment of dividends in particular).

Automatic deferral of the EAVC June instalment for all companies

The Government announced in a press release dated May 29th, 2020 that the deferral of the EAVC for the month of June, from June 15th to June 30th, automatically applies to all companies, without any particular formality.

Easing of the adjustment of EAVC instalments

Modalities of the easing

- 1st instalment may be adjusted with a margin of error increased by 30% (instead of 10%);
- Payment of the 2nd instalment before September 15th must be adjusted so that the total amount of the 1st and 2nd instalments reaches the total amount of EAVC for the year 2020, with a margin of error of 20%.

These adjustments apply to large companies (company or group with at least 5,000 employees or a turnover exceeding € 1.5 bn) provided they comply with their commitment of responsibility (non-payment of dividends in particular).

In case of under-adjustment, the 5% surcharge and interests for late payment may apply, at the time of the balance, on the difference between the expected amount (less the margin of error) and the effectively paid amount.

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).

Commercial area tax (TaSCom)

Deadline of June 15th is postponed on a case by case basis:

- The postponement granted cannot exceed one month, i.e. July 15th.
- The companies concerned must justify their financial difficulties to claim the postponement.
- Request formalized by sending to their SIE the deferral request form available online and duly completed or by any other document bearing the same elements.

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
2019 Tax package (financial year ending March 31st)	Companies subject to CIT	June 30th	July 31st
	Associations (2070)	June 30th	July 31st
	Balance statement (2572)	June 30th	July 31st
Individual income tax (IIT)			
2019 Income statement	Employment, business, real estate and agricultural income	June 12th	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
TaSCom	Declaration and payment	June 15th	July 15th

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).

The authorities provided a number of clarifications on the extension of tax deadlines:

Regarding the tax balance as at May 31st, 2020 (financial year ending 12/31/2019 or 02/29/2020):

- Companies experiencing financial difficulties: deferral of tax using the form available online or by any other means (e-mail or post in particular);

- Companies that are not experiencing financial difficulties but nevertheless are encountering material difficulties in calculating their balance and filing their balance statement:
 - If the **last known turnover is less than € 10 million: automatic carry-over** of the balance until June 30th, preferably using the carry-over request form (the "amount" box can then be left blank or with a simple estimate), or any other medium (in particular e-mail or post) providing the same type of information;
 - If the **last known turnover is more than € 10 million**: these companies are invited to declare and pay an **estimate of their corporate tax balance** within the legal deadline (May 31st) and, if necessary, to **make a corrective declaration** before June 30th, 2020.

Note:

- *Above clarifications do not seem to concern companies whose financial year-end was March 31st, 2020. A clarification from the administration is awaited in order to find out whether these clarifications also concern these companies.*

Regarding EAVC:

Declaration of added value and number of employees **1330-CVAE** as at June 30th, 2020: only companies experiencing material difficulties linked to the health crisis are entitled to defer the filing of their declarations, without taking any action on their part, as is the case for companies' profit and loss statements;

Payment of the balance of the EAVC by companies experiencing financial difficulty is deferred until June 30th, 2020 in the same way as for corporate income tax (see previous slide);

For companies that **do not experience financial difficulties** but nevertheless encounter material difficulties in calculating their EAVC balance and filing their statement n°1329-DEF, the authorities provide that:

- If the **last known turnover is less than €10 million: automatic deferral** of the balance until June 30th, according to the same terms as for corporate income tax (see previous slide);
- If the **last known turnover is more than € 10 million**: a **first deposit** and payment must be made by May 31st, 2020 at the latest on the basis of an initial estimate, followed by regularisation by submitting an additional balance statement by June 30th, 2020 at the latest.

Note:

- *In the case of companies that have declared and telepaid the EAVC before the due date, the authorities state that it is not technically possible to block a payment that has already been made for a given due date and does not provide for retroactive restitution.*

New declarations affected by extensions of time limits:

Instalments of **tax on salaries** (n°2501-SD): postponement of the deadlines for tele-declaration and tele-payment of tax instalments due for the months of March, April and May 2020 are postponed to **June 15th, July 15th, and August 15th, 2020 respectively**;

Regarding ELC:

Payment fully postponed to December 15th, for companies in the hotel, restaurant, tourism and event sectors

- A deferral without penalty is automatically granted to companies in these sectors with a deposit of ELC to be paid on June 15th
- Similarly, companies that are monthly for the payment of the ELC can suspend the monthly payments: the balance of the tax due will then be fully carried over to December 15th, without any penalty

Within the framework of the draft 3rd amending finance law, a new support measure allowing municipalities and intermunicipal associations which so wish to grant a reduction of 2/3 of the amount of the ELC of companies in these same sectors of activity performing less than € 150 million in turnover

- The proposed measure only applies to contributions due for 2020 and does not concern additional taxes or annexes to the ELC

In addition, all other companies will exceptionally be authorized to anticipate, from the advance payment of ELC in June 2020, the effect of the ceiling of the territorial economic contribution (CET) according to the added value.

- Companies which plan to benefit from the ELC cap on value-added for 2020 will be able to take this into account when paying the 50% ELC in June 2020 and reduce the amount by the amount they believe that they can ultimately benefit from the cap. A margin of error of 30% will be tolerated on the amount thus paid as of June 15th.

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.

The authorities supplemented these various measures with the following clarifications:

- Possibility for companies subject to the **normal real scheme** which have experienced a **fall in turnover** due to the health crisis and are unable to collect all the documents needed to draw up their declarations to make a flat-rate assessment of the VAT due in June for the month of May;
- Advance payments may be calculated on the basis of the amount of tax declared in respect of the previous months in the same way as for the months of March and April 2020 if the period makes it impossible to make a regularization declaration at that date;
- Other measures taken for the benefit of all businesses unable to draw up their VAT return correctly, enabling the amount of tax due to be estimated in accordance with the conditions laid down during periods of paid holidays, also remain in force.

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**.

Early repayment of account receivables for losses carried back

Proposal, in the 3rd amending finance law draft, to authorize companies subject to corporate tax to request as soon as 2020 the immediate reimbursement of their stock of receivables for losses carried back as well as receivables which would be noticed in 2020 due to losses linked to the health crisis.

- This request may be made until the deadline for filing the declaration of results for the year ended December 31st, 2020 (for losses recognized in 2020, the day after the end of the year).

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).

In the 3rd amending finance law draft, proposal for temporary exemption from tourist tax upon decision of the municipalities and public establishments of inter-municipal cooperation

- For the **tourist tax at fixed price**, paid by the hosts, possibility of total exemption for 2020;
- For the **actual tourist tax**, paid by tourists, possibility of total exemption tax of the tax due from July 6th to December 31st, 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.

13.2. 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.
- **URSSAF deadline of July 5th, 2020:** In principal, no deferral is planned.
 - However, in the event of persistent difficulties linked to the epidemic, the deferral of contributions remains possible for these due dates, under certain conditions:
 - the possibility of deferral only concerns employer contributions;
 - employee contributions are not affected by the deferral. They must be paid on the due date.
 - Companies wishing to take advantage of the deferral possibilities of the employer's share will first have to fill in an **application form** via their online space.
 - If there is no response from URSSAF **within two working days of the form being submitted**, the request for deferment **is deemed to have been accepted**.

Deferral measures for the self-employed

- The contributions to be paid on March 20th, April 5th, July 5th, July 20th, August 5th and August 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, May and June 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.

- Starting June 1st, the reimbursement by the State will only cover 60% of the gross remuneration.
- 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.
- Companies operating in the hotel, restaurant, café, tourism, events, sports, culture or related sectors, whatever their size, will continue to be able to benefit from 100% coverage of the partial activity allowance for hours not worked until September.
 - For the other business sectors, since June 1st, 85% of the hours off in respect of partial activity have been covered.

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 services 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**.

Monetization of days off

- **A company or branch agreement** may authorize the monetization of conventional rest days or part of the annual leave exceeding 24 working days.
- This possibility can be set up :
 - by decision of the **employer** :
 - The employer may **require** employees who have been placed in partial employment and who benefit from full maintenance of their remuneration to monetize their conventional rest days or annual leave with a view to allocating them to a solidarity fund, the aim being to compensate for the reduction in remuneration suffered by the other employees placed in partial employment.
 - Contributions and social contributions are paid when the days are allocated to the solidarity fund. On the other hand, the sums paid out to beneficiary employees are not subject to contributions and social security contributions.
 - at the **employee's** request
 - If the employee is placed in partial employment and wishes to compensate for the reduction in his or her remuneration, he or she can **request the monetization of his or her standard rest days or annual leave. The corresponding sum is subject to social security contributions and contributions**
- These provisions shall apply **until 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.
- From May 1st :
 - For employees :
 - The exceptional arrangements for exceptional work stoppages for childcare or vulnerable persons, when teleworking is impossible, are changing for private sector employees covered by the general, agricultural or special social security schemes.
 - On that date, these work stoppages compensated by the Sickness Insurance are interrupted and the employees concerned must switch to a partial activity scheme, insofar as they are still unable to carry out their professional activity.
 - For self-employed workers, self-employed agricultural workers, artist-authors, vocational training trainees and company managers covered by the general scheme
 - the system of exceptional leave (care of children and vulnerable persons) is maintained under the same arrangements in the event that it is impossible to return to work.
 - however, it is necessary to renew your declaration on May 1st on declare.ameli.fr.

Exceptional unlocking of retirement savings for self-employed workers facing economic difficulties

Temporary and exceptional authorization granted to self-employed workers experiencing economic difficulties due to a state of health emergency to release part of their retirement savings in advance.

- The so-called "Madelin" or "Madelin agricoles" contracts as well as individual retirement savings plans resulting from the "Pacte" law may be fully or partially redeemed by insured or policyholders with the status of self-employed workers, up to a limit of € 2,000 per insured or policyholder.
- The benefit of this measure is subject to certain conditions.

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.
- The draft 3rd Amending Finance Act for 2020 contains the following proposals:
 - **exemption of employer contributions and contributions** declared to the URSSAF corresponding to periods of employment from February 1st to May 31st, 2020 for SMEs in the most affected sectors and from February 1st to April 30th, 2020 for VSEs in certain sectors for which the activity involving the reception of the public has been interrupted due to the spread of the epidemic, excluding voluntary closures;

- granting of a credit equal to **20% of the payroll subject to social security contributions** declared over the periods of employment provided for above and usable for the payment of all contributions and fees declared to the URSSAF in 2020;
- **debt forgiveness on request**, for employers with fewer than 50 employees whose activity has been reduced by at least 50% compared to the same period of the previous year;
- **contribution settlement plans** proposed by collection agencies, without increase or penalties;
- exemption from personal social security **contributions and contributions due by self-employed agricultural and non-agricultural workers** in certain sectors in the form of a lump sum exemption;
- exceptional exemption from social security contributions and personal social **security contributions payable by artists/authors** in the form of a lump sum exemption.

Exceptional assistance in recruiting apprentices

- Creation of an exceptional aid for the recruitment of apprentices, up to the level of professional licence and for all companies
 - Financial aid per contract preparing for a diploma up to the professional licence (bac + 3 - level 6 of the RNCP) equal to :
 - 5,000 euros for an apprentice under 18 years of age;
 - 8,000 euros for an adult apprentice.
- For contracts signed from July 1st, 2020 until February 28th, 2021, this aid will be paid :
 - to companies with fewer than 250 employees without conditions;
 - and to companies with more than 250 employees on condition that they undertake to reach the threshold of apprenticeship contracts or professionalization contracts in their workforce in 2021, according to the terms defined by decree (otherwise the sums received will have to be reimbursed).

13.3. 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.
- To benefit from the aid for the month of April and for the month of May 2020, the loss of turnover is calculated either in relation to the turnover for the same period in 2019 or, if the company so wishes, in relation to the average monthly turnover for 2019.
 - Farmers who are members of a joint farming group (GAEC), artists and authors, and companies in receivership and safeguard proceedings may benefit from the solidarity fund in respect of March, April and May losses.

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
 - Since Friday April 3rd, 2020, all companies eligible for aid for the month of March have been able to apply on the impots.gouv.fr website.
 - Since May 1st, 2020, all eligible companies that have suffered a loss of turnover of more than 50% in April 2020 compared to April 2019 or, if the company so wishes, compared to the monthly turnover for 2019, can also make a declaration on the impots.gouv.fr website.
 - From June 1st, 2020: all eligible companies that have suffered a loss of turnover of more than 50% in May 2020 compared to May 2019 or, if the company so wishes, in relation to the monthly turnover for 2019 may also make a declaration on the website impots.gouv.fr.

Special case of associate farm managers in GAEC

- In view of the specific nature of the situation of farm managers associated within a GAEC, from May 27th, 2020, a dedicated form will be put online on impots.gouv.fr to enable them to individually submit an application under the solidarity fund before June 15th, (for aid for the months of April and March).
- Thus each member of the group can claim aid of €1,500 depending on the declared loss of turnover of the GAEC, and without prejudice to additional support financed by the Regions.

Special case for companies in the hotel, catering, café, tourism, events, sports and culture sectors

- The solidarity fund remains accessible to companies in the hotel, catering, café, tourism, events, sports and culture sectors as well as to artists and authors until the end of 2020 and is extended from June 1st, companies in these sectors will be eligible:
 - with up to 20 employees (previously 10 employees); and
 - with a turnover of up to 2 million euros (instead of 1 million euros previously).
- For other companies, the Solidarity Fund stops on May 31st.

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.
- Formalities to be completed:
- Request made in dematerialised form to the regional council of residence by May 31st, 2020 at the latest. The application shall specify the identity of the company, its unique identification number and the internal filing number.
 - The request shall include:
 - a declaration of honour stating that the company meets the conditions laid down in the Decree and that the information provided is correct;
 - a brief description of its situation, accompanied by a 30-day liquidity plan showing the risk of defaulting on payments;
 - the amount of the loan refused, the name of the bank that refused it and the contact details of the person to contact in that bank.
 - For all companies (except for the sectors below), the solidarity fund stops on May 31st. **Companies that have not yet applied for the second tier of the fund can do so until July.**
- **Specific arrangements for restaurants, cafés, hotels, tourism, event, sports and cultural enterprises**
- **The ceiling for grants** under the second part of the Fund to companies in these sectors shall be raised to 10 000 euros.
 - These companies will be able to benefit from the second strand of the Solidarity Fund **without the condition of refusal of a bank loan.**

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;*
- *This guarantee is offered until December 31st, 2020.*
- **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.
 - The draft 3rd Amending Finance Act takes up this measure under the following conditions:
 - The measure would be applicable for a period of **3 months from March 12th, 2020**;
 - **Eligible companies** would be those fulfilling the following conditions:
 - They have **less than 250 employees**;
 - The annual **turnover is less than 50 million euros** or the annual balance sheet total does not exceed 43 million euros.
 - Where the fee or rent is due for **an annual period, the cancellation shall be for one quarter of the amount.**

Other measures to support the economy

Support measures for start-ups

- **€ 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 younger 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**
- **“French Tech Souveraineté” fund launched by Bpifrance of 150 million euros for :**

- companies operating on the national territory and developing future sovereign technologies with a high investment risk; and
- start-ups at any stage of development.
- **Cash flow support via the "French Tech Bridge" fund**
- **Loan offer for promising startups** with the economic status of a company in difficulty and without access to the PGE
- **Investment fund PSIM** (Major Innovation Support Programme) accompanying the winning start-ups of the Global Innovation Contest
- **Reinforcement of innovation support schemes** with an additional €20 million
- **A third tranche of €65 million in funding for SATT** (exploitation of academic research results) is released.
- Launch of a second wave of calls for projects worth €15 million for programs specializing in deep tech entrepreneurship and creation of the "French Tech Acceleration n°2" fund (support for the development of start-up accelerators).

Credit insurance

- Increase in short-term export credit insurance from € 2 billion to € 5 billion;
- Extension of the scope of undertakings eligible for reinsurance by the central reinsurance fund (*Caisse Centrale de Réassurance* - CCR) of credit insurance risks to large undertakings and export credit insurance risks.

Support measures for the aeronautics sector

- **Export Credits**
 - Implementation of a moratorium on principal repayments for airline company credits already in Bpifrance Export Insurance's portfolio.
 - One-year moratorium, starting at the end of March 2020, **on principal repayments for airline contracts already guaranteed and whose loans are in the process of being repaid.**
 - Deferred maturities repayable over the following 3 years.
- **Temporary easing of OECD financing conditions to assist aircraft purchases**
- **Financing aids**
 - Creation of an aeronautical investment fund, an equity support tool **to preserve critical know-how and improve the competitiveness of SMEs and ETIs** ;
 - Creation of a public support fund for **the diversification, modernization and environmental transformation of processes.**
 - **Intensification of support for R&D efforts.**

Support Measures for the Automotive Sector

- **Introduction of various vehicle purchase / conversion bonuses for certain households amounting to 800 million euros, in particular :**
 - From June 1st, to the end of the year, strengthening of the ecological bonus system for electric vehicles and plug-in hybrids.

- From June 1st, until the end of the year, revision of the conversion premium scheme (PAC) to make it more attractive and more open, while maintaining the objective of transforming the French car fleet towards less polluting and less CO2-emitting vehicles.
- These exceptional measures will be applied only to the first 200 000 conversion premiums. When this level is reached, the previous scale will be reinstated.
- Creation of the “*Fonds d'avenir pour l'automobile*” for the modernisation and digitisation of production chains, the ecological transformation of the automobile sector and innovation.

Support measures for the tourism sector

- Implementation of more favorable conditions for obtaining the EMP - the "seasonal" EMP - with a higher ceiling (best 3 months of the year 2019, compared to 25% of 2019 sales normally)
- Digital One-Stop-Shop to facilitate access to support devices (www.plan-tourisme.fr)
- **Financing of tourism**
 - Possibility for banks to **extend credit maturities** to SMEs by up to 12 months instead of the current 6 months, depending on the needs assessed in the context of the customer relationship;
 - Reinforcement of the Tourism Loan to reach 1 billion euros;
 - 500 million euros mobilisation of Caisse des Dépôts Group resources to offer short and long term loans;
 - Investment of more than 1.3 billion euros by the Banque des Territoires and Bpifrance;
 - Specific support for Bpifrance and reinforcement of the capacity of France Tourisme Ingénierie:
 - Increase in funds from the Social Tourism Investment Fund to 225 million euros and relaxation of eligibility criteria.
- **Support for the demand**
 - Raising the daily ceiling for luncheon vouchers from 19 to 38 €.
 - Authorization for use on weekends and public holidays, from the date the restaurants reopen until the end of 2020.

Support measures for the book sector

- **Setting up of financing aids**
 - **25 million euros support fund** set up at the level of the National Book Centre (CNL) in conjunction with the Regional Directorates for Cultural Affairs (DRAC) to enable independent bookshops to cope with their financial difficulties.
 - **5 million euros support fund** set up by the CNL in conjunction with the DRACs to provide financial support to **publishing houses** with a turnover of between 100,000 euros and 10 million euros.
 - **12 million euros** envelope intended to accelerate investments in modernization and generate productivity gains.

Repayable advances or loans at subsidized rates for strategic enterprises with 50 to 250 employees

- The measure is **discretionary**.
- The objective is to support companies with real prospects for recovery, taking into account their economic and industrial positioning, in particular their recognized and to-be-preserved know-how, their critical position in a value chain and their importance within the local employment area.

- Applications must be submitted to the departmental committees for the examination of business financing problems (CODEFI).

Commitment for large companies

The Ministry of Finance announced the setting up of a commitment of responsibility 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/>

14. GERMANY (UPDATED 02.07.20)

On 13 March 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 virus¹.

14.1. Tax measures

- With decree dated 19 March 2020 the Federal Ministry of Finance has instructed the local tax authorities to apply the following tax measures:

- **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 31 December 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 31 December 2020 if the debtor of a pending tax payment is directly affected by the Covid-19 virus.

- **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 OECD-MC). Agreements have been concluded with Austria, the Netherlands, Luxembourg, Belgium, France and Switzerland.

- **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.

- **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 (*note: further reduction of VAT, see below*).

- **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.

¹ Press release of the German Minister of Finance and Minister of Economic Affairs dated March 13th, 2020, « A protective shield for employees and companies ».

- **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.

- **Extended deadline for the notification obligations for cross-border tax arrangements**

In accordance with the announcement by the EU Commission,² the deadlines for the notification of cross-border tax arrangements are to be extended for three months. The Federal Ministry of Finance is authorized to adapt the legal deadlines for the notification obligations in accordance with the EU proposals [Verordnungsermächtigung].

- **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.

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

A further tax assistance act was enacted on 29 June 2020. Among other things, the law provides for the following changes:

- **Reduced VAT Rate**

VAT rates shall be reduced temporarily for services rendered or goods delivered from the time period 1 July to 31 December 2020. During this period, the general tax rate is decreased from 19% to 16% and the reduced VAT rate from 7% is decreased to 5%.

- **Extended tax loss carryback**

The maximum amount of the tax loss carryback for the years 2020 and 2021 is increased to EUR 5 million (usually EUR 1 million) and, in case of joint assessment, to EUR 10 million (usually EUR 2 million). As a general rule, losses can only be offset against profits from the previous year.

- **Loss carryback from expected losses 2020**

Taxpayers can apply for a lump-sum loss carryback 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 carryback amounts to 30% of the income for 2019. A higher loss can be carried back if such loss can be demonstrated on the basis of detailed documentation (e.g. business analyses). The new maximum loss carryback amount of EUR 5 million or, in the case of a joint assessment, EUR 10 million apply. Tax prepayments for 2019 are to be recalculated which should generally lead to a refund. The benefit 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.

- **Degrressive depreciation for movable fixed assets**

² See https://ec.europa.eu/taxation_customs/sites/taxation/files/08-05-2020-proposal_for_a_council_directive_amending_directive_201116eu.pdf

For movable fixed assets that are acquired or manufactured after 31 December 2019 and before 1 January 2022, degressive depreciation (i.e. declining annual amounts) may be used instead of the (in general only applicable) straight-line depreciation (i.e. equal annual amounts) in the amount of up to 25% of the respective book value of the asset. The annual depreciation is limited to 2.5 times the amount of the straight-line depreciation.

14.2. 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.

14.3. 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 Wiederaufbau'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/>

15. GREECE (UPDATED 21.05.20)

15.1. 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 30.04.2020 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.

15.2. 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.

15.3. 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 law, 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, on 31.03.2020, the Greek Government had announced, by means of another 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 03.04.2020 specifying and amending 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. Only 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 be further 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 shall on 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. Obligated 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. Obligated 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 lease 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 be restricted and a limited number of persons may 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.E.P.E) website: please click [here](#)
- Greek customs website: please click [here](#)

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

16. HUNGARY (UPDATED 27.07.20)

As of 18 June, 2020, the state of emergency is ceased and the legal order has been restored in Hungary; however, responding to the business situation caused by COVID-19 Hungary had an extraordinary legal order, which even allowed for immediate legislation in view of the emergency was introduced on **11 March, 2020 by the Government**; thus, several measures remained in force. 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. Eventually, the tax and financial benefits 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.

Hereby, we summarize the most important measures affecting the taxation and economy, in particular with regard to the withdrawal of the state of emergency due to the coronavirus.

16.1. Tax Measures

Sector-specific tax / contribution relief

The sector-specific tax and contribution payment provisions laid down in government decree and applicable between March-June, can be continuously applied. Accordingly, disbursements in the beneficiary sectors are exempt from social tax, training contribution and (pro rata temporis) rehabilitation contribution. Furthermore, in the case of employees in the beneficiary sectors, a favourable contribution payment rule applies, according to which only the health insurance contribution in kind must be paid, up to a maximum amount of HUF 7,710. The beneficiary businesses are the followings:

- 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;
- 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.

A small business taxpayer carrying on a specific principal activity shall continue not consider the amount of personal payments as small business tax base when determining its small business tax liability for March, April, May and June 2020. From 1 January 2021 the law reduces the rate of the small business tax ("KIVA"), respectively of tax advance from 12% to 11%.

Itemized Small Business Tax (KATA)

A small taxpayer that carries out a separately named, beneficiary activity is exempt from paying the itemized tax payable on the small business in respect of March, April, May and June 2020. The exemption can only be applied by a small taxpayer that was already subject to KATA in February 2020 for this activity. In addition, a small taxpayer may pay its tax debt due before 1 March 2020 in equal monthly instalments of 10 months from the month following the end of the state of emergency (until the 12th day of the relevant month) without late payment interest.

As from 1 July 2020, in connection with the mid-year reduction of the social tax in 2020, it is necessary to change the contribution base for small taxpayers, given that the share of social contribution (as part

of their tax burden) decreases. At the same time, the tax portion corresponding to individual contributions is increased; therefore, a higher amount needs to be taken into account as a basis for contributions.

In the case of a full-time small taxpayer ("KATA"), the basis for calculation increases to HUF 102,000 instead of HUF 98,100 per month, and to HUF 170,000 instead of HUF 164,000 in the case of a higher itemized tax.

As for 2021 certain amendments are introduced to the KATA taxation, to exclude the misuse of the itemized small tax for hidden employment relations. In the course of the tightening a 40% additional tax is introduced between related parties, which is also applicable between independents over the yearly income threshold of HUF 3 million. It is also limited to create only one KATA subject per private person.

Contribution to tourism development

The suspension of the obligation to pay the contribution applied from **1th of March 2020** is extended until 31 December 2020.

Tourist tax

The government suspended the tourist tax liability payable after accommodation services from 26 April 2020 to 31 December which has now risen to a statutory level.

Social contribution tax

Social contribution tax decreased to 15.5% as from 1 July (previous tax rate: 17.5%)

Health care contribution

The health care contribution payable in respect of an employee on unpaid leave due to the state of emergency shall be paid by the employer until the 60th day after the end of the state of emergency.

Fringe benefits

The fringe benefits of SZÉP-card payments have been extended from social tax for this year and the increased maximum payment measures remain in force as well.

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. During the pandemic, the limits for development reserves had been extended up to the amount of the total pre-tax profit with a yearly cap of HUF 10 billion (EUR 28,5 million). After the emergency period the former 50% limit is returned. 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).

16.2. State support to salaries

„Kurzarbeit” – the Hungarian way

The aid for reduced working hours ("Kurzarbeit") may be applied until the end of August, which can be granted throughout the year. The measures are the followings:

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.

Aid to the employment of new workers

For the application of formerly unemployed persons, the state budget provides a financial support of 6-month salary plus contributions up to a monthly cap of HUF 200,000 / employee. The aid may be used on the condition of further employment of the subsidized personnel by the company for at least 3 additional months (i.e. 9 months altogether).

As from 16 July 2020, the conditions will be tightened, as eligible persons shall belong to the area of difficult to employ e.g. below the age of 25 or those who are on unemployment for a long period already.

16.3. Surtaxes levied to finance the economic package

Retail surtax

Act on retail tax entered into force on 11 June 2020. The provisions of the law apply to the tax liability with same content as being already in force and regulated by the Government published during the state of emergency. 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.

Advance payment obligation is determined by the law already as from May.

The basis of the advance payment liability is the turnover data of the previous business year which may result in potential overtaxation, to be reduced with claims.

Surtax of financial institutions

The legislation provides for a new surtax related to the epidemiological situation for the 2020 tax year where financial institutions are subject to tax. The tax base equals with the part of the surtax base of financial institutions exceeding HUF 50 billion. The tax rate is 0.19%. The act grants the possibility of considering benefits for supporting sports in accordance with the provisions of the tax of financial institutions, taken in consideration that the amount is reducing the amount of the benefit-range available to the financial institution with regard to its support. An advance payment on the tax must be paid during the year.

Considering the epidemiological situation, the amount paid for 2020 under the act or based on the government decree may be used by the financial institution from 2021, in equal annual instalments, in the form of tax withholding as a tax deduction. The limit is 20% of the special epidemiological tax levied for the 2020 tax year.

The surtax of financial institutes becomes due in three equal instalments by 10.6, 10.9. and 10.12.2020.

16.4. 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 within SMEs; however, it was not laid down in legislation, but an internal provision of the Hungarian Tax Authority, it is still not clear how long it is applicable.

Tax reliefs

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

Based on the application submitted by non-natural person taxpayers, the tax debt might be reduced by a maximum of 20%, but not exceeding HUF 5 million, if the payment of the tax debt would make the applicant's business activity impossible for a reason attributable to the state of emergency. This application is available for 30 days following the termination of the state of emergency.

In the same way, there is still possibility to claim a six-month gratuitous payment deferral, or a twelve-month surcharge-free instalment payment, which can also be claimed for 30 days in case of a tax amount up to HUF 5 million.

During the state of emergency and within 30 days thereafter, the tax authority shall disregard the amount of tax shortfall and legal consequences imposed on the taxpayer due to the breach of the tax liability.

Electronic Road Toll (EKAER) system

The obligation to pay the deposit related to EKAER notifications has been suspended due to the state of emergency for 30 days from its termination. The first day of the obligation to provide deposit shall be the 31st day following the cessation of the emergency situation (i.e. July 19, 2020), with the first consideration of the declarations made by the taxpayer from that date when calculating the amount of the deposit.

Within 90 days from the cessation of the state of emergency, the request for road section exemption may be resubmitted even if it has expired or if it has less than 90 days validity. Permits for the exemption of a section of road which would expire on the date of the cessation of the state of emergency shall be valid for 90 days after the cessation, but no later than until the application for exemption of the section of the road has been examined by the tax authority.

As of 1st January 2021, only the risky products will be subject to the EKAER-obligation. From that date if non-risky products are transported, there is no need to reporting anymore. The eventual extension of the definition „risky products” is not known so far, these cover actually food, clothing, shoes and accessories, agricultural products, construction materials.

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).

The deferral shall also apply to the submission of declarations which may be submitted instead of the returns.

16.5. Financial measures

Debt moratorium

The moratorium on payments introduced during the state of emergency remains unchanged until the end of the year. 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.

Investment restrictions

The government has restricted the acquisition of property and shares by foreigners in certain sectors classified as strategic. Foreign investors are companies outside the EU (EEA and Switzerland), as well as companies within them (even those registered in Hungary) whose majority owner is foreign, as described above. The decree makes the acquisition of foreign ownership of 15, 20 and 50% subject to ministerial notification and disclosure, as well as to the fact if the joint ownership of foreign investors reaches 25%. Strategic sectors include, but are not limited to the chemical, energy, finance, healthcare and construction industry, as well as tourism.

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>

17. INDIA (UPDATED 12.08.20)

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 administration 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 was initially extended up to June 30th, 2020; the same has now been extended further up to July 31st, 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
- The date for furnishing of TDS/TCS statements for the quarter ending on March 31st, 2020 has been extended to July 31st, 2020
- 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
 - Penal interest also waived in cases where self-assessment tax is upto ~₹ 100K (~\$1500)
- 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. The staggered plan for filing returns & payment of taxes extends up to September 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.
 - A total payout of ~₹ 180b (~\$2.6b), in tax refunds, already released thus far.
- 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

- **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 policy of Covid related supplies has been under continuous amendments owing to domestic developments and containment of the pandemic
- Accordingly, it is advised that for export of following items, the policy may be continually rechecked
 - hand sanitizers
 - masks
 - all ventilators including any artificial respiratory apparatus or oxygen therapy apparatus
 - any other breathing appliance/device
 - hydroxychloroquine and its formulations
 - specified diagnostic kits/ laboratory reagents/ diagnostic apparatus
 - Personal Protection Equipments
 - identified APIs and their formulations
 - paracetamol formulations (including FDCs)

- ***Export Controls***

- In view of the pandemic, the Inter-Ministerial Working Group constituted under the DGFT has agreed to certain relaxations in documentation requirements for obtaining an export license/ authorization under the Special Chemicals, Organism, Materials, Equipment and Technologies List (SCOMET List)

- ***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, as currently in force**

- 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
- 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
- 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 to 4.75%, 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
- Special liquidity scheme for NBFCs and HFCs through an SPV upto September 30th, 2020 upto an amount of ~₹ 300b/ ~\$4b
- **Moratorium/ deferral**
 - Three-month moratorium on payment of instalments of all kinds of term loans including credit card dues was promulgated vide March announcement; this has now been extended for another 3 months
 - Interest on working capital facilities to be deferred by three months per March announcement; this has also been further extended by another 3 months
 - A public interest litigation is pending before the Supreme Court of India to decide, whether interest should be charged over the moratorium period or not. Notices, in the matter, have been issued to the government and Reserve Bank of India and next hearing is scheduled in first week of August 2020
- 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 over the moratorium period 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, software & services) made up to or on July 31st, 2020, has been extended to 15 months from the date of export
- In order to alleviate genuine difficulties being faced by exporters in their production and realisation cycles, it has been decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from the existing one year to 15 months, for disbursements made up to July 31st, 2020
- With a view to providing greater flexibility to importers in managing their operating cycles in a Covid-19 environment, it has been decided to extend the time period for completion of outward remittances against normal imports (i.e. excluding import of gold/ diamonds and precious stones/ jewellery) into India from six months to twelve months from the date of shipment for such imports made on or before July 31st, 2020
- 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
- RBI amends investment/remittance norms for FPIs/FVCIs in Investment Vehicles and utilization of SNRR account
- SEBI provides framework for transactions in defaulted debt securities. Extends relaxations to FPIs till August 31st, 2020 for processing of documents

- **Debt re-structuring**
 - To provide relief to viable businesses, with otherwise good track record, facing financial stress owing to Covid a debt restructuring scheme has been announced by the RBI subject to such terms and conditions as may be prescribed

- **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
 - SEBI extends 120 days gap exemption between two board/ audit committee meetings of listed companies till 31 July 2020
- Annual general meeting could be held by way of video conferencing/ other audio-visual means during the calendar year 2020
- Previously the conducting of extraordinary general meeting (EGM), to be held on or before June 30, 2020, was allowed through video conferencing or other audio-visual means. The said relaxation has now been extended till September 30, 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 10 months, from December 1, 2019
- Timelines for submission of annual secretarial compliance (ASC) report for FY20 extended up to July 31, 2020
- SEBI has carried out certain changes in the SEBI (Settlement Proceedings) Regulations, 2018 (Settlement Regulations), to ease out the settlement mechanism. This *inter-alia* includes larger period for remitting the settlement amount, facility of electronic payment of settlement dues and no requirement of issuance of settlement notice

- Insider Trading Regulations amended to notify manner of maintaining structured digital database of 'unpublished price sensitive information' and preserving such records for eight years, easing out the trading window restrictions, etc
- Extension of time for submission of financial results for the quarter/half year/financial year ended June 30th, 2020 till September 15th, 2020

- **Reforms with a vision of Self-Reliant India**

- 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

- **Reporting impact of pandemic**

- SEBI has advised listed entities to endeavour to ensure that all investors have access to timely, adequate and updated information and to evaluate the impact of the COVID-19 pandemic on their business, performance and financials, both qualitatively and quantitatively, to the extent possible and disseminate the same
- SEBI has also provided an illustrative list of information that listed entities may consider disclosing, subject to the application of materiality. This illustratively includes
 - Impact of the COVID-19 pandemic on the business
 - Ability to maintain operations including the factories/units/office spaces functioning and closed down
 - Schedule, if any, for restarting the operations
 - Steps taken to ensure smooth functioning of operations
 - Estimation of the future impact of COVID-19 on its operations
 - Capital & liquidity position, debt servicing capacity, etc

- **Legal Measures & Perspectives**

- 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.

- **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 31st, 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. Other procedural aspects & compliances also relaxed
- Increased threshold for not filing draft letter of offer with SEBI for rights issues, which open on or before March 31, 2021
- o Open Offer Exemptions for acquisition of Listed Companies with Stressed Assets
- o 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
- o Requirement for issuing physical notice for rights issues opening up to July 31st, 2020 has been dispensed with
- o Mandatory requirement for 15% investment/deposit of amounts of debentures maturing during the year done away for privately placed debentures by listed companies
- o Eligibility criteria for listed companies to avail Fast Track FPO relaxed. Disqualification norms such as pending prosecution proceedings/show cause notice, settlement with SEBI, impact of audit qualifications, etc done away with. The relaxations would be applicable for FPOs that open on or before March 31, 2021 and are not applicable for issuance of warrants.
- o Foreign Exchange Management (Non-debt Instruments) Rules, 2019 have been amended to give administrative powers to the RBI for NDI Rules and freedom to act on certain matters without seeking consultation with the Central Government
- o SEBI has also extended the validity of one-time relaxations with respect to the manner of service of the letter of offer and/or tender form and other offer related material to shareholders vide electronic transmission, under the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations pertaining to open offers and buy-back through tender offers opening up to December 31, 2020

- **Takeovers/Acquisitions of Indian Companies**

- o **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
- o **Amendments to Takeover Code (effective June 16th, 2020)**
 - Promoters can acquire upto 10% in FY 2020-21

As per the change, any acquisition beyond 5% but upto 10% of the voting rights in the target company has been allowed for the financial year 2020-21 - only in respect of an acquisition by a promoter pursuant to preferential issue of equity shares by the target company. Before the change, any acquisition beyond 5% voting rights would trigger the open offer requirement

- Acquisition in preceding 52 weeks will not debar from making voluntary open offer

Hitherto, where an acquirer or any person acting in concert with him had acquired shares of the target company in the preceding 52 weeks without attracting the obligation to make a public announcement of an open offer, he was not eligible to voluntarily make a public announcement of an open offer for acquiring shares. As per the change, aforementioned disqualification has been relaxed till March 31, 2021

- Pricing method of preferential issues – Temporary relaxation due to COVID 2019

The issuer is given the option to choose any of the prescribed formulas up to December 2020.

- ***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
- In another matter, the Delhi High Court also concluded that a force majeure clause instantly comes into effect once it has been acknowledged by the other party. Accordingly, in such circumstances, the need to explicitly invoke the force majeure clause does not arise.
- Meanwhile on a case to case basis, the government is stipulating that pandemic can be considered a Force Majeure event. Illustratively:
 - Under Taxation Law Ordinance, for GST purposes;
 - For defence procurement Force Majeure shall be applicable for a period of 4 months i.e. from March 25th, 2020 to July 24th, 2020 - Duration of this Force Majeure will be excluded while calculating the delay in delivery of contracted equipment and imposition of Liquidated Damages; etc

- ***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 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
 - Related ordinance also been promulgated in June 2020
 - 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
- **Public Procurement Policy & other boost to locally manufactured items**
 - Public Procurement (Preference to Make in India), Order 2017, deals with procurement of goods by the various departments of the Government, amended to differentiate between
 - Class I & II Local Suppliers as well as Non-Local Suppliers
 - Linked eligibility norms to participate in government procurement with classification above
 - Where lowest bids in government tender is not a Class I Local Supplier, the lowest amongst the bidding Class I Local Suppliers would be given an opportunity to match the lowest quoted price (for 50% of the tender in case of divisible contracts and entire procurement in case of indivisible contracts)

- Global tenders to be disallowed in government procurement up to ~₹ 2000m (~\$29m)
- Stores department to not stock and sell imported goods
- Necessary amendments have also been carried out to General Financial Rules 2017 in this regard
- In furtherance to several measures taken by Indian Government to prevent influx of Chinese products and investments into India, an Order has recently been issued by the Department of Expenditure stipulating additional requirement of registration for the bidders from countries which share borders with India .

- **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
- 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 March-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 up to November 2020
- 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
- India's Covid package combines short-term macro policy with long-term structural reforms
- Embargo on import of 101 defence items
- Safeguard and anti-dumping duties being evaluated in several cases
- 370 plus products to included under mandatory India Standards compliance regime
- Various states evaluating legislative options to promulgate a 60-75% reservation, for locals, for private sector jobs. The move is seen post mobility disruption caused by pandemic

For further information please contact your Taxand team in India at elplaw.in. Also, refer for:

- Detailed write-ups concerning business continuity in these unprecedented 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](#)

- Recently ELP published a report regarding nuances around “Make in India”. The report *inter-alia* highlights several advantages for, why the production base of businesses should shift to India – 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](#)

18. INDONESIA (UPDATED 12.08.20)

Starting from March 13, 2020, the Indonesian government began its regulatory measures in curbing the effects of the ongoing Coronavirus Disease 2019 pandemic on its people and economy. Several regulations and amendments, both temporary and indefinite, are expected to continuously develop in the coming months as more adjustments to the implementation of the “new normal”.

18.1. 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.

On April 27, 2020, the Ministry of Finance updated PMK-23 with PMK-44/PMK.03/2020 (PMK-44) which provide the tax incentives to more taxpayers including for small and medium enterprises.

- **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.

- **Treatment of taxation in Trade activities 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 government regulation will be issued on the details.

- **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.

- **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. On 16 May 2020, PERPPU No. 1 of 2020 has passed as law through 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.

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.

- 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. A detailed tabulation of the equipment and stipulations on the corresponding equipment have been provided in the regulation's attachments.
- 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%.
- On June 10, 2020, the office of the President of the Republic of Indonesia officially issued **Government Regulation No. 29 of 2020** regarding the Income Tax Facilities in the Context of Handling Coronavirus Disease 2019 (COVID-19).

The focal point of this regulation revolves around the facilities that may benefit healthcare and medical manufacturing industries. As of the issuance of this regulation, medical and healthcare equipment manufacturers will effectively be given 30% deductions to their income tax dues, until September 30, 2020. The healthcare equipment intended include products that range from N95 masks, surgical masks, up to ventilators and COVID-19 test kits; all of which are enumerated in the regulation.

Aside from healthcare manufacturers, other taxpayers may also receive facilities in return for their assistance in the fight against COVID-19. Donations made may be deducted from Taxpayers' gross income. With sufficient supporting documents, such proven donations may be deducted from their income tax until September 30, 2020. Attached to this regulation are the detailed descriptions, formats and forms to be filled in by taxpayers, in order to receive these newly regulated benefits.

In anticipation of continued adjustments in fiscal matters and ease in taxpayers' fulfillment of their respective obligations, the government has taken steps in ensuring their compliance to the stipulated tax regulations given the limitations faced in this pandemic.

- On June 19, 2020, the DGT issued **PER-10/PJ/2020**, which serves as amendment to PER-11 of 2019 regarding Taxation Application Service Providers. It regulates the onset of a selection of Tax Application Service Providers approved by the DGT, along with the services they will be providing, which include the provision of Tax Identification Numbers to individual taxpayers, H2H e-invoice management, billing code issuance, issuance of e-documents in relation to tax returns, etc. This is in hope of allowing the ease of filing for taxpayers at this time.
- Starting July 1, 2020, the newly issued **PER-11 of 2020** issued on June 25, 2020 will be enforced, with which it is stipulated that VAT payable will be centralized and this centralization will be selected according to the place in which the Taxable Entrepreneur was confirmed in. In cases where electronic channels are not readily available, Taxable Entrepreneurs will be able to submit a written notification to the DGT Regional Tax Offices Centers, with a copy sent to the Head of the Tax Office where they are registered.
- **PER-12 of 2020** will also be enforced on July 1, 2020, which will impose the limitation of certain criteria as well as the appointment of collectors, collections, payments and reporting of VAT on the use of intangible Taxable Goods and/or Taxable Services from outside the customs area through e-trading. This is to aid further implementation of PMK-48 of 2020 regarding the same stipulations, by providing limitations to the set conditions and criteria that are currently in place.

- On June 25, 2020, **PER-13 of 2020** was also issued regarding the technical guidelines in officially issuing tax identification numbers for taxpayers in terms of providing interest/margin subsidies on business credit and financing of MSMEs. The technical details include the maximum financing ceiling for MSME debtors, which is at IDR10,000,000,000 (ten billion rupiah), along with the conditions and criteria to be met by the MSME debtors to benefit from such subsidies.
- The government also issued **PP-30 of 2020** (Government Regulation 30 of 2020) regarding the Reduction of Income Tax Rates for Corporate Taxpayers in the form of Public Companies. The rate charged is based on the total number of shares on the stock exchange in Indonesia, or at least 40 percent of the total issued and fully paid shares. The requirement to obtain this tax rate relief is that 40 percent of the shares must be owned by at least 300 parties or outside the issuer and major shareholder. The aforementioned 300 parties are required to only own less than 5 percent of the total issued and fully paid shares.
- Tax incentives for taxpayers affected by the Coronavirus Disease 2019 have been extended to more taxpayers as stated in the Minister of Finance Regulation **PMK No. 86 of 2020** effective as of July 16, 2020. PMK-86 extends the tax incentives facility **up to December 2020** which was previously available up to September 2020. More taxpayers are eligible for this facility as well.

An exemption for payment of Article 21 Income Tax will be extended to employees who meet certain criteria, which include working for employers in the specified Business Field Classification code that have also been attached and updated in this regulation. They must also be TIN holders and should also earn less than IDR 200,000,000 within the tax year concerned. Employers must also register via the official DGT website and follow the sample format attached to the regulation, along with the detailed guidelines on the treatment of the tax return reporting.

Such detailed stipulations and conditions on tax incentives in relation to Article 23, Article 22 Import, Article 25 Income Tax and VAT have also been provided.

This serves as an update to PMK No. 44 of 2020. This new regulation therefore revokes said regulation, which stipulated the previous conditions and tax incentives on the aforementioned income tax articles and VAT.

18.2. 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**.

18.3. Social measures (UPDATE)

- Starting August 2020 the Government will provide cash subsidy for those enrolled in BPJS Employment program who earns below IDR 5 million per month, amounting IDR 600,000 for the next 4 months.

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>

19. IRELAND (UPDATED 11.08.20)

19.1. 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 coronavirus³ 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.

Reduction in Tax Debt Interest Rate

As part of the July Stimulus package (see below) introduced on 23 July 2020, the government included provisions for a reduction in the interest rate applying to agreed repayments of all tax debt. The measures are available for all taxpayers that have declared but unpaid tax debts. They can avail of a reduced interest rate of 3% provided they contact Revenue to agree payment of these debts or have entered into an agreement to pay these debts on or before 30 September 2020.

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 has been legislated for by the Financial Provisions (Covid-19) (No.2) Act 2020);
- 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

³ Press releases by the Irish Tax administration on March 13th, 2020 "Revenue announce measures to assist SMEs experiencing cashflow difficulties arising from COVID-19".

- 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 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.

Reduction in the Standard Rate of VAT

As part of the July Stimulus package introduced on 23 July 2020, the government announced a temporary reduction in the standard rate of VAT. The standard rate of VAT will be decreased from 23% to 21% for the period from 1 September 2020 to 28 February 2021.

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.

Exchange of Information

Revenue announced an extension and deferral of certain time limits for the filing, reporting and exchange of information for DAC2/CRS, FATCA and EU mandatory disclosure regime introduced by Council Directive (EU) 2018/18/822 (DAC6).

The deadline for the filing of DAC2 returns for the 2019 reporting period is now deferred until 30 September 2020. This new deadline will also apply for the filing of CRS and FATCA returns in line with what has already been agreed by the Global Forum on Transparency and Exchange of Information for Tax Purposes and by the United States.

DAC6 came into operation on 1 July 2020. However, the 30-day time period for the reporting of information related to new reportable cross-border arrangements will now commence on 1 January 2021. For any reportable cross-border arrangements made between 1 July 2020 and 31 December 2020, the 30-day reporting period also commences on 1 January 2021. For reportable cross-border arrangements the first step of which was implemented in the "lookback reporting period" (i.e. between 25 June 2018 and 30 June 2020) the new reporting deadline is 28 February 2021. The new reporting deadline for periodic reporting of "marketable arrangements" is 30 April 2021.

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 October 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 sanitisers.

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.

Pandemic Unemployment Payment

The Pandemic Unemployment Payment (PUP) was introduced for those made unemployed by the COVID-19 pandemic and was initially paid at a flat rate of €350 per week. From 29 June 2020, two rates of payment apply based on the amount earned by the individual from the previous employment. For those who earned less than €200 per week, the payment has changed to €203 per week. For those who earned €200 or more per week, the payment has not changed and remains at €350 per week.

The PUP was extended to 1 April 2021 by the July Stimulus package announced by the government on 23 July 2020. The amounts payable under the PUP are set to reduce over several stages.

From 17 September 2020

New claimants will be unable to join the scheme after 17 September 2020, at which point there will be three rates of payment. Those earning over €300 per week prior to the pandemic will receive a new top rate of €300 (reduced from €350). Those earning between €200 and €300 prior to the pandemic will receive €250 (reduced from €250). Those earning less than €200 prior to the pandemic will continue to receive €203 (the current rate of jobseeker's benefit).

From 1 February 2021

From 1 February 2021 the payment for those earning between €200 and €300 prior to the pandemic will receive €203 ((the current rate of jobseeker's benefit). Those earning over €300 per week prior to the pandemic will receive €250.

From 1 April 2021

The PUP will be closed from 1 April 2021 and those remaining recipients must apply for jobseeker's benefit.

Redundancy Provisions

On 4 August 2020, the government extended the suspension of redundancy provisions arising as a result of COVID-19 until 17 September 2020. This suspension relates to redundancy entitlements following temporary lay-offs and short-term work due to the pandemic..

COVID-19 Credit Guarantee Scheme

On the 14 July 2020, the government announced a €2 billion COVID-19 credit guarantee scheme which will provide low cost loans to businesses impacted by COVID-19.

The Credit Guarantee (Amendment) Bill 2020, which will underpin the scheme and will also remove the portfolio cap, giving rise to an increased potential maximum liability for the State of €1.6 billion. The legislation is expected to go through the Oireachtas. The existing Credit Guarantee Act 2012 will need to be changed to allow for the removal of the portfolio cap and to increase the size of the scheme.

This scheme will be the largest credit guarantee scheme for businesses in Irish history. It will ensure that SMEs, primary producers and small mid-cap companies can access liquidity to keep their businesses operating, as the economy continues to reopen. It will be available for a wide range of products including overdrafts, term loans and working capital facilities.

19.2. 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.

On 29 May 2020, Revenue announced changes to the scheme to accommodate employees returning to work following maternity and adoptive leave. The scheme was also extended to employees who were in receipt of illness or other benefits paid by the Department of Employment Affairs & Social Protection (DEASP). It is expected that employers will receive appropriate subsidy payments for affected employees from 12 June 2020. The changes apply retrospectively to 26 March 2020 for relevant employees.

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:
 - **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
 - **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)*

Exiting the Scheme

On 23 June 2020 Revenue announced that employers who cease to meet the eligibility criteria or no longer wish to avail of the TWSS should stop returning J9 PRSI Class payroll submissions to Revenue. Employers should also inform Revenue via MyEnquiries of their intention to exit the scheme and ensure the employee J9 PRSI Class submissions (J9 submissions) are reverted, on future payroll submissions for each employee, to their normal pre-COVID-19 PRSI class. Those employers who have stopped participating in the scheme will be included in the reconciliation phase of the scheme and will be included in the list of scheme participants published at the end of the scheme.

New Employment Wage Subsidy Scheme

As part of the July Stimulus package announced on 23 July 2020, the government introduced the new Employment Wage Subsidy Scheme (EWSS). The Temporary Wage Subsidy Scheme (TWSS) is due to end on 31 August 2020 and will be replaced by the EWSS. The EWSS will run until 31 March 2021 and operate as a payroll subsidy scheme. The EWSS and TWSS will run concurrently until 31 August 2020 to provide financial assistance for categories of workers who did not qualify for the TWSS.

To qualify for the EWSS the employer must establish they are operating at no more than 70% turnover for the period 1 July to 31 December 2020 compared to the same period last year. The EWSS will have a rate of €203 or €151.50 gross per week depending on the gross pay of qualifying employees. Proprietary directors and certain connected persons will not be considered qualifying employees. Where gross weekly pay is greater than €1,462 or less than €151.50 no subsidy will apply.

July Stimulus Measures

On 23 July 2020 the government announced the July Stimulus package which introduced many measures to aid economy recovery following the COVID-19 pandemic. The package contains €1 billion in tax measures, €500 million in capital expenditure and €4 billion in new current spending. The following measures were introduced by the July Stimulus package:

Stay and Spend incentive

A tax credit was brought in to encourage tourism within Ireland. This tax credit was introduced to help the accommodation and food sector, the purpose of which is encourage taxpayers to support domestic providers of accommodation and food during the off-season.

Revenue will provide an income tax credit of €125 per taxpayer, or up to €250 for a jointly assessed married couple. The taxpayer may submit receipts up to a cap of €625 total. A taxpayer must spend a minimum of €25 on qualifying expenditure and submit the receipt to Revenue using a mobile app.

This incentive is confined to expenditure in the period from 1 October 2020 to 30 April 2021.

Corporate Tax Loss Relief

The stimulus plan will provide additional liquidity supports for businesses through enhanced corporate tax loss relief. Repayments of corporation tax that would otherwise become due over the next 18 months will be accelerated. This will provide a cash-flow support to previously profitable companies experiencing losses due to the COVID-19 pandemic.

The maximum amount of the expected current year loss which will qualify for early carry-back will be 50%. The balance will qualify for carry-back under the normal rules in due course.

Income Tax Relief

The stimulus plan introduced a new once-off income tax relief measures for self-employed individuals to provide liquidity. Section 10 of the Financial Provisions (Covid-19) (No. 2) Act 2020 legislated for the temporary income tax measures to assist self-employed individuals who have been adversely impacted by the COVID-19 restrictions.

The aim of these measures is to benefit self-employed individuals who were profitable in 2019 but are loss making in 2020 as a result of public health measures. It is estimated that this will result in a liquidity boost of €150 million in 2020 for those affected.

The measures will give individuals carrying on a trade or profession as sole traders or members of partnerships a cash-flow boost from the early utilisation of up to €25,000 worth of 2020 losses (and certain unused capital allowances) off-set against 2019 profits.

The measures also include an additional option for farmers to step out of income averaging for the 2020 tax year.

Help to Buy Scheme

The Help to Buy Scheme will be enhanced to stimulate demand from first time buyers for new houses in the housing market, to encourage house completions and to assist first time buyers accumulate a deposit for a new home.

Support available to first time buyers will increase to the lesser of €30,000 (up from €20,000) or 10 per cent (up from 5 per cent) of the purchase price of the new home/self-build property. This support will be effective immediately and will apply to applicants who sign a contract for the purchase of a new house or who have yet to make the first draw down of the mortgage in the case of a self-build. It will expire on 31 December 2020. All other parameters of the scheme will remain the same.

Cycle to Work Scheme

The stimulus plan changed Cycle to Work Scheme to increase the allowable expenditure. For 'ebikes', expenditure will be increased from €1,000 to €1,500 and in respect of bicycles expenditure will be increased to €1,250. The current scheme allows for purchase of a new bicycle every 5 years, the stimulus plan will reduce this to 4 years. All other parameters of the scheme will remain the same.

Measures for Businesses

Restart Grant

The Restart Grant for enterprises will be expanded by €300million, which will bring the total funding to €550 million. A broader base of SMEs are now eligible for grant funding and those who have availed of

the Restart Grant may receive further funding. Under the Restart Grant the maximum payment will now be €25,000, increased from €10,000. The minimum payment will be €4,000, increased from €2,000.

Credit Guarantee Scheme

The Credit Guarantee Scheme was introduced. The scheme is worth €2 billion and established an 80% guarantee for credit products ranging from €10,000 to €1 million for a term of up to 6 years.

Commercial Rates Waiver

A waiver of commercial rates for six months ending September 2020 will be granted to all business at a cost of €600 million.

Liquidity and Enterprise Investment Measures

Liquidity and enterprise investment measures worth €55 million will be implemented to support small and micro companies through additional resources for MicroFinance Ireland and the Local Enterprise Offices. These measures include reduced interest rates on lending for micro and small businesses.

Funding for Seed and Venture Capital sector through Enterprise Ireland will be increased by €10 million. The Covid Life Sciences Products Scheme will have a €25 million investment to aid research, development and production of medicinal products in Ireland which will be used in the fight against COVID-19. The first phase of the new Green Enterprise Fund will receive €10 million to support green research, development and innovation, capital investment, and capital building.

Brexit Measures

A €20 million Brexit fund will be established to put in place staff, software and IT systems required for new customs arrangements from 1 January 2021. These measures are to help SMEs involved in exporting to and importing from the UK.

Business Loans

The European Investment Bank Group's Future Growth scheme will be extended to €500 million. This will enable businesses with 499 employees or fewer to invest at competitive rates for longer-term investments. The Enterprise Ireland €180 million Sustaining Enterprise Fund scheme will be expanded to include direct grant support to viable businesses.

Tourism

A Restart Fund of €10 million into the tourism sector is being introduced. Additionally, a Performance Support Scheme for the culture sector of €10 million is being introduced.

Online Retail Scheme

Enterprise Ireland's €5.5 million Online Retail Scheme will assist businesses establish their online presence. Additionally, the local enterprise offices are expanding the €20 million Online Trading Voucher Scheme to assist online retail.

Labour Market

Employment incentives for businesses to hire apprentices and young people has been introduced in a €200 million plan aimed at assisting the proper functioning of the labour market

19.3. 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.

- **Microenterprises 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

20. ISRAEL *(UPDATED 04.06.20)*

20.1. 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 25 May 2020;

- **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.

20.2. 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).

Preventing Disconnections from Utilities

Consumers lagging in payment of utility bills will not be disconnected from electricity during the Coronavirus crisis

Pending Measures

The Israeli Government is formulating proposed plan to allocate ILS 200 million to support the nonprofit sector and additional measures are considered. In addition, the Government will allocate ILS 200 million to provide training programs for unemployed (details to be decided).

20.3. 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. The small and medium business loan fund has recently been increased by the Israeli government from ILS 8 billion to ILS 14 billion due to the fact that all of the existing fund's resources have been used (pending parliamentary approval).

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.

Additional Measures that have been Announced and Require Parliamentary Approval

The following measures have been announced by the Israeli Government, but require budget appropriation by the Knesset, the Israeli parliament. Such approval is expected to be received, however certain aspects of the measures discussed below may change to some extent following the legislative process:

- **"Return to Work" Grant**

The Israeli Government intends to allocate ILS 6 billion for payment of grants to employers that rehire employees that were fired or put on unpaid leave during the Coronavirus crisis. Although not all the final details of the plan have been officially formulated yet, the Israeli Government announced that employers will be entitled to receive up to NIS 7,500 per each employee that have been rehired, based on the date in which such employee has been rehired.

- **High-Risk Businesses Loans**

The Israeli Government intends to establish an ILS 4 billion fund in order to aid high-risk businesses in obtaining loans. High-risk business in this respect will include businesses in any industry that is not expected to return to full operation in the near future, such as restaurants and entertainment establishment.

- **Financing Hi-Tech Companies**

The Israeli Government intends to allocate NIS 2 billion for financing instruments of hi-tech companies, by means of loans from the Innovation Authority and supporting institutional investors investing in hi-tech companies. The plan is still being formulated.

- **State Guarantees to Suppliers Insurance**

The Israeli Government intends to allocate NIS 750 million to provide state guarantees to suppliers insurance.

- **Support for Tourism Industry and Hotels**

The Israeli Government intends to allocate ILS 300 million to support the tourism industry and hotels.

- **Support for Artists and Cinema Industry**

The Israeli Government intends to allocate ILS 200 million to support struggling artist and productions of the cinema industry.

20.4. Other Measures

Extension of Regulatory Approvals

Certain regulatory approvals and licenses that were due to expire until 10 May 2020 have been automatically extended for a period of two months.

Infrastructure Programs

The Government intends to invest in certain infrastructure projects, including in the fields of transportation and digitization of government services.

For updated information please contact your Taxand team in Israel at <https://www.hfn.co.il/>

21. ITALY (UPDATED 27.05.20)

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 five 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*”⁴;
- Law-Decree n° 23/2020, so-called “*Decreto Liquidità*”;
- Law-Decree n° 34/2020, so-called “*Decreto Rilancio*”.

21.1. 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 concerned⁵, 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 in a single settlement by September 16th, 2020 or by monthly instalments of up to four, the first of which by September 16th, 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;
- for the fiscal year 2020, the **annual limit of € 700,000** applicable **to offset tax credits** via F24 model, is increased to € 1 million;
- the offsetting between tax credits and tax debts (art. 28-ter of the Presidential Decree n° 602/1973) does not apply to tax refund to be executed in 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;

⁴ Converted into Law n° 27/2020.

⁵ These include sectors such as tourist hotels, passenger transport, catering, bars, culture, sport, education, amusement parks, events, games rooms and sports betting centers.

- companies and self-employed workers, with revenues / fees of no more than € 250 million, are not required to the pay regional tax on productive activities – IRAP balance due for the tax period 2019 (assuming that the tax period corresponds to the calendar year), as well as the first instalment of the advance payment due for the subsequent tax period; Insurance companies, public administrations, as well as financial intermediaries and holding companies are excluded from the scope of this provision;
- **suspension** until May 31st, 2020 of the **deadlines** for clearance, control, verification, recovery and litigation activities by the tax administration;
- liquidation, control, assessment, recovery of tax credits acts, including penalty notices, for which the deadlines expire from March 8th, 2020 to December 31st, 2020 shall be issued by the latter date and shall be notified in the period from January 1st to December 31st, 2021, except in cases of emergency or if the simultaneous payment of taxes is required;
- suspension of the payment terms expiring in the period between March 8th and August 31st, 2020, deriving from statements of account issued by collection agents; the suspended payments must be made in a single payment by September, 30th 2020;
- suspension until September 16th, 2020 of tax payments deadlines of the amount due as a result of automatic or formal procedure of tax assessment on tax returns for direct taxes and VAT;
- shops and workshops (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;
- under certain conditions, recognition of a tax credit for the months of March, April and/or May 2020 (April, May and/or June 2020 for tourist accommodation structures with only seasonal activities):
 - to the extent of **60% of the monthly amount of the rent, lease payment or concession fee** of non-residential properties intended for carrying out industrial, commercial, artisanal, agricultural activities as well as activities of tourist interest or for the usual and professional self-employed activities;
 - to the extent of **30% of the fee, in case of complex service or business rental contracts**, including at least one non-residential property intended for carrying out the activities mentioned above.

Different possible uses are foreseen for the tax credit concerned. The same cannot be combined, in relation to the same expenses incurred, with the above described tax credit for shops and workshops.

- **60% tax credit for costs incurred in 2020 for anti-Covid-19 measures** to be implemented on workplaces and for the purchase of personal protective equipment and other safety devices. This measure is subject to certain caps.
- **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**;
- assignment of tax credits provided by measures adopted in response to the COVID-19 emergency (shops and workshops, real estate rental of non-residential properties, adaptation of workplace and workplace sanitization);
- 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.

- increase up to 110% of the tax deduction rate provided for, with reference to expenses incurred, in the period between July 1st, 2020 and December 31st, 2021, for specific energy efficiency measures, anti-seismic measures, installation of photovoltaic panels and columns for charging electronic vehicles;
- 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);
- until December 31st, 2020 **VAT exemption** regarding the supply of goods, specifically identified by the so-called “*Decreto Rilancio*”, necessary for the containment of the epidemiological emergency and starting from January 1st, 2021 application of the **reduced VAT rate of 5%**;
- **postponement**, as of January 1st, 2021, of the effectiveness of the provisions establishing the so-called “*plastic tax*” and the so-called “*sugar tax*”, both introduced by the 2020 Budget Law;
- under certain conditions, exemption from the first yearly payment of the property tax (IMU) for the tourism sector;
- **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 were **suspended until May 11th, 2020**;
- moratorium on the due dates for payments to the collection agencies **until September 30th, 2020**;
- extension of the possibility to step-up the tax value of land and unlisted equity investments held at July 1st, 2020 through the payment of substitute tax at a rate of 11% on the higher value certified by a special appraisal drawn up and sworn by September 30th, 2020;
- **tax credit for cash equity contributions** into Italian companies if the following requirements are met: (i) 2019 revenues between € 5 and 50 million; (ii) decrease in revenues greater than 33% in relation to March and April 2020 compared to the same period of 2019 and (iii) fully paid-in capital increase resolved and carried out by December 31st, 2020. This measure is subject to certain conditions and caps and to the approval of the EU Commission;

21.2. 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 **18 weeks**:

- 9 weeks in the period between February 23th and August 31st, 2020, increased, in the same period, by another 5 weeks for those who have already used the previous 9 weeks;
- 4 weeks in the period between September, 1st and October, 31st 2020 (possibility to anticipate the use for employers operating in the tourism sector);
- the number of days of **paid monthly leave**, for workers who have to assist disabled relatives, is increased by 12 additional days, useable in the months of March and April 2020, and by other 12 additional days, usable in the months of May and June 2020;
- **prohibition of dismissals** for five months starting from March 17th, 2020 and suspension of pending procedures;
- introduction of the **possibility of renewing or extending, until August, 30th 2020, all fixed-term employment contracts** already in place on February, 23th 2020, even in the absence of the conditions ordinarily foreseen by law;
- **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; under certain conditions, right to "**smart working**" in favour of workers of the private sector with at least one child under the age of 14 years;
- **bonus baby sitting** up to a maximum amount of € 1,200;
- **(tax) credit for holidays** up to a maximum amount of € 500 in favour of national households with an income not exceeding € 40,000;
- 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;
- creation, for specific categories of self-employed workers, of a **€ 600 allowance** for the months of March, April and May 2020, which for the only month of May 2020 can be increased, subject to certain conditions, to € 1,000;
- introduction of a grant in favour of specific subjects, carrying out business, self-employed or agricultural activities, who have suffered a decrease of the turnover in April 2020 compared to April 2019 to the extent of more than 1/3 and who have generated an income in 2019 lower than € 5 million; the amount due is calculated as a percentage of the reduction of the turnover – maximum 20% with a minimum amount of € 1,000 for natural persons and € 2,000 for other subjects;
- equalization of quarantine to illness;
- introduction of specific measures regarding **health and safety at workplace**.

21.3. 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**⁶ 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;
- state guarantees (given by SACE S.p.A.) in favour of short-term commercial credit insurance companies authorized to provide credit insurance services that will adhere to a specific agreement to be approved for such purpose;
- specific financial support for exports and internationalization (e.g. with regard to development of e-commerce, temporary export manager etc.);
- introduction of measures aimed to enable the growth of innovative startups and to encourage the digital entertainment industry as well as innovative technology projects;
- introduction of a new kind of long-term savings investment plans (“PIR”);
- Cassa Depositi e Prestiti S.p.A. creates a committed fund named “*Patrimonio Rilancio*” financed by assets provided by the Ministry of Economy and Finance (MEF) to support, within the EU regulatory framework on state aids, Italian listed and no-listed joint stock companies that have their registered office in Italy, do not operate in the banking, financial or insurance sector and have an annual turnover exceeding € 50 million.

21.4. 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**⁷ 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;
- temporary disapplication of the provisions regarding the reduction of the share capital due to losses exceeding 1/3⁸ or the dissolution of the company due to reduction or loss of the share capital⁹;
- **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;

⁶ *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.

⁷ Please refer to Articles 2467 and 2497-quinquies of the Italian Civil Code.

⁸ 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.

⁹ Please refer to Articles 2484, first paragraph, n. 4), and 2545-duodecies of the Italian Civil Code.

- creation of the “*Fund for the safeguarding of employment levels and the continuation of business activities*”, aimed at the rescue and restructuring of companies holding historic brands of national interest and companies with no fewer than 250 employees, that are in a state of economic and financial difficulty.

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/>

22. LUXEMBOURG (UPDATED 12.08.20)

22.1. Tax measures

The Luxembourg tax authorities have announced on 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.

- The law n°7555 of 12 May 2020 addresses 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 31 December 2020 included (i.e. ending during 2020) will be **extended to 31 December 2021 included**. 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*. In addition, the law of 24 July 2020 amends the Law n°7555 of 12 May 2020 to also extend the 3-year statute of limitation applicable to property taxes ending on 31 December 2020 to 31 December 2021. This extension relates to the 2017 property taxes.
- The law of 24 July 2020 implements the optional deadline extensions of EU Directive of 24 June 2020 amending the EU Directive on Administrative Cooperation to address the urgent need to defer certain time limits for the filing and exchange of information in the field of taxation because of the COVID-19 pandemic. The law introduces mainly a 6-month deadline extension for reporting under the mandatory disclosure regime applicable to tax intermediaries ("DAC6") and a 3-month deadline extension for

reporting under both the Common Reporting Standards (“CRS”) and the Foreign Account Tax Compliance Act (“FATCA”).

DAC6: the law implements the optional 6-month deadline extensions of the Directive for reporting and exchanging information under DAC6 and amends the law of 25 March 2020 implementing DAC6 accordingly. As a result, the following reporting deadlines will apply:

- The 30-day reporting period applicable to reportable cross-border arrangements made available for implementation, ready for implementation, or where the first step in their implementation has been made between 1 July 2020 and 31 December 2020 shall begin on 1 January 2021.
- The first quarterly reporting of marketable arrangements shall be performed by 30 April 2021.
- The 10-day deadline applicable to the notification to be made by intermediaries subject to professional secrecy in respect of reportable cross-border arrangements made available for implementation, ready for implementation, or where the first step in their implementation has been made between 1 July 2020 and 31 December 2020 shall begin on 1 January 2021.
- Reportable arrangements the first step of which was implemented between 25 June 2018 and 30 June 2020 have to be reported by 28 February 2021.
- The first automatic exchange of information will have to be performed by the Luxembourg tax authorities by 30 April 2021 at the latest.

CRS: the law implements the optional 3-month deadline extension of the Directive for exchanging information related to calendar year 2019 under CRS and amends the law of 18 December 2015 implementing CRS accordingly. As a result, the following reporting and exchange of information deadlines will apply for reporting information related to calendar year 2019:

- Luxembourg Reporting Financial Institutions will have to submit their reports in relation to calendar year 2019 by 30 September 2020 at the latest (instead of 30 June 2020).
- The Luxembourg tax authorities will have to communicate until 31 December 2020 (instead of 30 September 2020) to the competent authorities of Reportable Jurisdictions the reportable information related to calendar year 2019. The draft law does not make any distinction between EU (thus, covered by the Directive) and non-EU Reportable Jurisdictions.

FATCA: finally, the law introduces a 3-month deadline extension for reporting under FATCA in relation to calendar year 2019 and amends the law of 24 July 2015 implementing FATCA accordingly. As a result, Luxembourg Reporting Financial Institutions will have to submit their reports in relation to calendar year 2019 by 30 September 2020 at the latest (instead of 30 June 2020). According to the FATCA Agreement between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg, information shall be exchanged by Luxembourg within 9 months following the end of the calendar year to which the information relates (i.e. the 2019 calendar year information must be exchanged by 30 September 2020 at the latest). In order to adapt the latter deadline for the calendar year 2019 information, a formal notification through diplomatic channels will be made by Luxembourg, taking notably into account the US Internal Revenue Service's recent announcement to grant such extension.

- 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 was initially applicable for the period from 11 March 2020 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. On 22 June 2020, the Luxembourg government announced that Luxembourg and Belgium have agreed to extend the 2020 Mutual Agreement until 31 August 2020.

- Both France and Luxembourg agreed on 19 March 2020 that 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 29-day rule laid out in the double tax treaty concluded between France and Luxembourg in 2018. On 24 June 2020, the Luxembourg government announced that Luxembourg and France have agreed that their agreement will remain in force until 31 August 2020. On 16 July 2020, an official agreement under §3 of the article 24 of the double tax treaty between France and Luxembourg was signed to that purpose.
- 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. As of today, the agreement dated 3 April 2020 has not been denounced by any 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.

22.2. 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
- According to Grand Ducal Regulation of 3 April 2020:
 - 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 look after their child(ren) under the age of 13, if there are no other options for the child(ren) custody.
- A leave for “family support” has also been introduced by Grand Ducal Regulation as part of the fight against Covid-19 which 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. The Grand Ducal Regulation also provides for protective measures against unfair dismissal of employees who benefit from "leave for family support".
- Grand-Ducal Regulation of 3 April 2020 allows 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.

22.3. 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.

22.4. 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 20 June 2020, the Luxembourg Parliament passed a new law (the law n°7566) extending the effects of the Grand-Ducal Regulation dated 20 March 2020 after the end of the state of crisis. The state of crisis ended on 24 June 2020.

The new law n°7566 aims to ensure legal certainty by extending the effect of the Grand Ducal Regulation of 20 March 2020 regarding the means used for the holding of shareholders' and board's meetings after the end of the state of crisis. The law n°7566 applies to any entity which financial year ended at the latest on the end of the state of crisis (on 24 June 2020) and during a 9-month period as from the end of such financial year. In practice, according to the law n°7566, board and shareholders' meeting of an entity having a financial year ending on 31 December 2019 can be held until 30 September 2020 without requiring the physical presence of its board members and/or shareholders, whether these meetings are related to the annual accounts approval process or not. However, an entity which financial year is supposed to end after the end of the state of crisis (e.g. on 30 June 2020) does not fall within the scope of law n°7566 so that any of its board or shareholders' meetings will need to be held in accordance with the existing provisions of the Law of 10 August 1915.

The law n°7541 of 22 May 2020 extends 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. The law n°7566 of 20 June 2020 allows 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.

- The law n°7540 of 16 May 2020 extends 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-19, 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/>

23. MALTA (UPDATED 11.06.20)

Since mid-March 2020, the Government of Malta has announced various measures to assist businesses severely affected by the COVID-19 pandemic. The country is slowly easing most of the restrictive measures which were introduced since mid-March 2020 to slow down the spread of the virus. International travel, both by air and sea are still limited to the transport of cargo and essential travel however these measures will also be eased as from 1 July 2020.

Various measures, both in terms of assistance for severely hit businesses and measures to slow down the virus are being announced frequently.

23.1. 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.

The tax payment deferral scheme will be retained until September 2020, with the deferred payments to be settled over a period of 12 months. As from 1 July 2020 no deferral will be allowed for the settlement of FSS tax and social security contributions withheld from wages and salaries;

23.2. 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 until the 30 June 2020. As from 1 July 2020, the benefit rate of €800 for full-timers and €500 for part-timers will be maintained in areas involved with tourist accommodation, travel agencies, language schools, event organisation and air transport. Those who up to June 2020 were assisted under Annex A but do not feature in the categories listed above shall be kept within the parameters of Annex A but will however move to a tapered aid of €600 for full-timers and €375 for part-timers. Students and pensioners who are in employment shall fall within this new category.

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 until 30 June 2020. Personal services and other businesses/self-employed who depend on local consumption will benefit from the partial supplement under Annex B. Companies and self-employed who were being assisted under the partial supplement (Annex B) will retain this aid until 30 September 2020.

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.

23.3. 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.

23.4. 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.

23.5. 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 be given a medical benefit.

23.6. 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.

23.7. 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.

23.8. Other measures introduced in June 2020

- A grant of up to €2,500 to cover rental costs for businesses eligible for a wage supplement (click [here](#) for further information);

- A subsidy equivalent to 50% of the electricity commercial consumption costs (capped at €1,500) will be paid to businesses eligible for a wage supplement and this for the months of July, August and September;
- Business eligible for the Micro Invest Credit may opt to receive up to 30% of the Micro Invest tax credits during 2020 in form of a grant which is however capped at €2,000 or €2,500 for undertakings operating in Gozo and for female-owned undertakings;
- Malta Enterprise will be providing up to €5,000 for businesses, allowing them to embark on a reengineering exercise with approved companies;
- An export credit guarantee scheme will be available for businesses exporting their goods;
- Further funds will be allocated to the Skills Development Scheme for the benefit of businesses employing less than 50 employees. This will provide assistance to businesses wishing to further develop the skills of their employees;
- Businesses in the construction industry will be eligible to a grant of up to €200,000 to modernise their machinery and equipment;
- Reduction of stamp duty due upon the purchase of immovable property by the end of the current year. The stamp duty rate will be reduced from 5% to 1.5% on contracts to be signed between 9 June 2020 and 31 March 2021;
- The final tax due upon the sale of immovable property under development or those contracts made between 1 June 2020 and March 31 March 2021 will be reduced from 8% to 5%;
- The first time buyers scheme will be modified for all contracts taking place from 9 June 2020, unless a person has benefitted from the scheme since 2013;
- €100 worth of vouchers per person aged 16 and over that can be used in a licensed accommodation, restaurant or business that had to close during the pandemic;
- With effect from 15 June 2020, petrol and diesel prices will be reduced by 7 cents per litre;
- Refund of 33% in port charges for those ships that bring cargo to our country in order to support the supply chains of our economy;
- A 10% refund will also be given on container discharge fees for import and export but not transshipment;
- Support for export promotion. A budget of €400,000 has been allocated to Trade Malta to reimburse half of the costs involved, with a maximum of €10,000 for local businesses to invest in campaigns aimed at foreign markets;
- Up to 80% refund of the costs incurred by businesses participating in international fairs which were cancelled;
- A full refund of trade licence / permits paid during 2020 by businesses that were forced to close during the pandemic;
- A new underwriting facility for private enterprise bonds will be set up through the Malta Development Bank;
- €5 million to help Maltese and Gozitan businesses promote themselves and help will be provided for the production of local produce;
- Improvement in the in-work benefit and a special supplement of €250 will be given for each family that benefits from the same scheme;
- A grant (capped at €2,000 per couple) to fund certain forfeited deposits on wedding expenses;
- Financial assistance to old people's homes.

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

24. MEXICO (UPDATED 29.07.20)

24.1. 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 101,238 as of June 3, 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 was established until May 30, 2020.

On June 1, 2020, the “new normality” plan entered into force. Said plan contemplates the progressive lifting of mobility restriction measures based on the level of risk on a statewide level, although the number of daily confirmed cases in the country increases every day and officers of the Mexican Ministry of Health have stated that the epidemic has not ended and still needs to be mitigated.

24.2. 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, April 28 and May 29, 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 July 15, 2020.

24.3. 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 several General Decrees published in the Federal Official Gazette, the Federal Judiciary Council adjourned the jurisdictional activity of federal courts and suspended procedural terms from March 18 to August 2, 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; some of them will resume jurisdictional activity until August 3, 2020.

24.4. 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 July 10 and June 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.

Nevertheless, on June 29, 2020, the IFT established that the running time periods in proceedings being processed by said authority will be suspended indefinitely.

- **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 and May 29, 2020, other decrees establishing that terms and deadlines are suspended until the corresponding authorities consider that an epidemiologic risk does not exist, 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 and May 29, 2020, respectively, 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 the corresponding authorities consider that an epidemiologic risk does not exist.

24.5. 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 fulfillment 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 fulfillment 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.

24.6. Tax related Measures adopted by the local authorities of Mexico City

On March 20, April 20 and May 29, 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”, 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” and the “Fifth 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”, (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 August 9 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 July 31, 2020.

24.7. 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.

24.8. 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.

24.9. 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.

24.10. 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.

24.11. 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. Since June 1, 2020, the suspension does not apply to activities regarding mining, construction, and transport equipment manufacturing.

24.12. Energy Regulatory Commission 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. Said suspension was re-extended on May 29, 2020, until the corresponding authorities consider that an epidemiologic risk does not exist.

24.13. 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.

24.14. 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.

24.15. 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 and July 7, 2020, the National Energy Control Center ("CENACE") published in the Federal Official Gazette resolutions ("Resolutions") 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 Resolutions establish the suspension of the deadlines and terms of the acts and proceedings carried out before CENACE until the corresponding authorities consider that an epidemiologic risk does not exist.

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/>

25. NETHERLANDS (UPDATED 16.07.20)

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 virus¹⁰. On April 24th, 2020, additional tax measures have been announced by the State Secretary of Finance.¹¹ On May 6th, 2020, these additional tax measures have been formalized by way of a decree.¹² On May 20th, 2020, the Dutch Ministers and State Secretaries of Economic Affairs and Climate and of Finance and the Minister of Social Affairs and Employment announced a second package of measures ("*Emergency Measures 2.0*"), mainly aimed at extending and adding additional requirements to yet existing measures.¹³ On June 16th, 2020, these additional tax measures have been formalized by way of a decree.¹⁴

25.1. 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 until October 1st, 2020**

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, environmental taxes and private motor vehicle and motorcycle tax ("**BPM**"). 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%. Under certain conditions, postponement for a period longer than three months is possible. 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**

¹⁰ Press release of the Ministry of Economic Affairs and Climate dated March 17th, 2020, « *Emergency measures employment and economy* », CE-AEP / 20077147.

¹¹ Letter of the Ministry of Finance dated April 24th, 2020, « *Additional tax measures in relation to covid-19, 2020-0000080433*.

¹² Decree of the Ministry of Finance dated May 6th, 2020, « *Emergency measures related to Covid-19, Government Gazette 2020, 26066*.

¹³ Press release of the Ministry of Economic Affairs and Climate dated May 20th, 2020, « *Emergency measures 2.0 employment and economy* », CE-AEP / 20148518.

¹⁴ Decree of the Ministry of Finance dated June 16th, 2020, « *Emergency measures related to Covid-19, Government Gazette 2020, 33211*.

- **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.

- **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 until September 2020. In December 2020 at latest, 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. Instead of postponement, it is in some cases also possible to file a request for a refund relating to the additional invoices for the months April until September 2020 afterwards. The deadline for this refund request is thirteen weeks after December 31st, 2020.

25.2. Social measures

- I. **Emergency measure wages 1.0 until June 5th, 2020** (*“Tijdelijke Noodmaatregel Overbrugging Werkgelegenheid - NOW 1.0”*):

Key requirements

- (Expected) loss in turnover of at least 20%;
- Employer continues to pay full wages, no redundancies;
- Application applies for three months;
- Application is no longer possible;
- Adoption can be requested from October 7th, 2020.

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. **Emergency measure wages 2.0 per July 6th, 2020** (*“Tijdelijke Noodmaatregel Overbrugging Werkgelegenheid - NOW 2.0”*):

Key requirements

- (Expected) loss in turnover of at least 20%;
- Employer continues to pay full wages;
- Application to be filed in the period from July 6th until August 31st 2020;
- Application applies for four months, the loss in turnover reference date starting on the 1st of June, the 1st of July or the 1st August. If the NOW 1.0 has been claimed, the four-month period of NOW 2.0 should be linked to the three-month period of NOW 1.0;
- The reference month for the wage bill is March (reference date May 15th) of this year;
- Additional requirements apply when the taxpayer is planning on redundancies. Furthermore, the NOW 2.0 compensation will be decreased in case of redundancies.
- In addition, distributions of bonuses, dividends or profit to shareholders and management and the buyback of shares are not allowed until adoption of the 2020 annual accounts in 2021 (only applies in case an auditor's statement is required).

Key benefits

- Equivalent to the abovementioned NOW 1.0;
- Financial compensation wages for the period June – September 2020;
- Compensation (capped at €9,538 per month per employee) + 40% employer cost;
- Financial compensation is based on wage tax return, make sure return is filed with the tax authorities.

III. Financial compensation self-employed individuals up to € 1,500

IV. Financial compensation enterprises, one-time gift of € 4,000

V. Financial allowance for fixed expenses up to € 50,000

25.3. 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/>

26. NORWAY (UPDATED 25.06.20)

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.

26.1. 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 decided to give 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 into effect for investments made in 2020 and 2021 but may also include some investments through to 2024. It has also been decided that the free-income for investments, exempt from the higher special petroleum tax basis, should be increased from 20 percent to 24 percent.

26.2. 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.
It is proposed that the reduction in employer-paid days from 15 to 2 should be increased to 10 days for new lay-offs with effect from 1st September. It is also proposed that the care-related leave days should be reversed to 10 days from 1st July, but that the annual amount for 2020 should be reset, giving 10 days from 1st July.
- **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 (this arrangement with 100 per cent compensation will expire from 1st September) and after such a period on a reduced compensation rate for up to 26 weeks or at least to 31st October. 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.

26.3. 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%*.
- **Compensation for businesses taking back temporary lay-offs:** The Norwegian government has proposed an economical support to businesses taking back lay-offs in the same employment fraction as before the lay-off. The support may be NOK 15,000 if the business has a reduced revenue of at least 30 per cent, for businesses with less than 10 per cent reduction in revenues there will be no support. For businesses with revenue reductions between 10 and 30 per cent the support will be adjusted with the size of the revenue reduction. The support will only apply to lay-offs taken back to work in July and August.
- **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.

26.4. 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

27. PERU (UPDATED 12.08.20)

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, the Peruvian Government has declared the extension of the National State of Emergency until August 31 and has established specific quarantine measures.

27.1. Tax and custom measures

- **New dates for the 2019 Income Tax Return (for tax debtors with net income of up to 5,000 Tax Units¹⁵)**

The scheduled deadlines to file the 2019 Income Tax and Financial Transaction Tax returns, as well as to perform tax payments thereof, have been modified for 'Main Taxpayers' (*Principales Contribuyentes*) and other 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. In such regard, the new applicable deadlines are set as follows:

Tax debtors	Income Tax Return Deadlines
'Main Taxpayers'	Between June 24 (for Taxpayer IDs ending in 0) and July 9 (for 'Good Taxpayers')
Other tax debtors	Between July 21 (for Taxpayer IDs ending in 0) and August 7 (for 'Good Taxpayers')

- **Extensions for monthly tax obligations**

'Main Taxpayers' and other tax debtors, who in fiscal year 2019 have obtained up to 2,300 Tax Units¹⁶ in (i) third category net income (corporate income) or (ii) income belonging to other categories that altogether do not exceed said amount, are subject to the following extensions:

- a) Declaration and payment of all monthly tax obligations, regarding February 2020:

Tax debtors	Applicable Deadlines
'Main Taxpayers'	Between June 4 (for Taxpayer IDs ending in 1) and June 11 (for 'Good Taxpayers')
Other tax debtors	Between July 2 (for Taxpayer IDs ending in 1) and July 9 (for 'Good Taxpayers')

- b) The maximum dates of delay for the Sales and Income Electronic Ledger and the Purchase Electronic Ledger, regarding February 2020:

¹⁵ According to the Tax Unit value for fiscal year 2019, such amount is equivalent to S/21'000,000 (approximately US\$6'000,000).

¹⁶ According to the Tax Unit value for fiscal year 2019, such amount is equivalent to S/9'660,000 (approximately US\$2'760,000)

Tax debtors	Applicable Deadlines
'Main Taxpayers'	Between June 4 (for Taxpayer IDs ending in 2 and 3) and June 10 (for 'Good Taxpayers')
Other tax debtors	Between July 2 (for Taxpayer IDs ending in 2 and 3) and July 8 (for 'Good Taxpayers')

Notwithstanding the aforementioned, 'Main Taxpayers' and other 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, are subject to the following extensions:

- a) Declaration and payment of all monthly tax obligations, regarding periods March through August, 2020:

Period	'Main Taxpayers'	Other tax debtors
March, 2020	Between June 12 (for Taxpayer IDs ending in 0) and June 22 (for 'Good Taxpayers')	Between July 10 (for Taxpayer IDs ending in 0) and July 20 (for 'Good Taxpayers')
April, 2020	Between July 3 (for Taxpayer IDs ending in 0) and July 13 (for 'Good Taxpayers')	Between August 5 (for Taxpayer IDs ending in 0) and August 13 (for 'Good Taxpayers')
May, 2020	Between July 14 (for Taxpayer IDs ending in 0) and July 22 (for 'Good Taxpayers')	Between August 14 (for Taxpayer IDs ending in 0) and August 24 (for 'Good Taxpayers')
June, 2020	Between August 5 (for Taxpayer IDs ending in 0) and July August 13 (for 'Good Taxpayers')	Between September 3 (for Taxpayer IDs ending in 0) and September 11 (for 'Good Taxpayers')
July, 2020	-	Between September 14 (for Taxpayer IDs ending in 0) and September 22 (for 'Good Taxpayers')
August, 2020	-	Between October 5 (for Taxpayer IDs ending in 0) and October 15 (for 'Good Taxpayers')

- b) The maximum dates of delay for the Sales and Income Electronic Ledger and the Purchase Electronic Ledger, regarding periods March through August 2020:

Period	'Main Taxpayers'	Other tax debtors
March, 2020	Between June 11 (for Taxpayer IDs ending in 0) and June 19 (for 'Good Taxpayers')	Between July 9 (for Taxpayer IDs ending in 0) and July 17 (for 'Good Taxpayers')
April, 2020	Between July 2 (for Taxpayer IDs ending in 0) and July 10 (for 'Good Taxpayers')	Between August 4 (for Taxpayer IDs ending in 0) and August 12 (for 'Good Taxpayers')
May, 2020	Between July 13 (for Taxpayer IDs ending in 0) and July 21 (for 'Good Taxpayers')	Between August 13 (for Taxpayer IDs ending in 0) and August 21 (for 'Good Taxpayers')
June, 2020	Between August 4 (for Taxpayer IDs ending in 0) and August 12 (for 'Good Taxpayers')	Between September 2 (for Taxpayer IDs ending in 0) and September 10 (for 'Good Taxpayers')

July, 2020	-	Between September 11 (for Taxpayer IDs ending in 0) and September 21 (for 'Good Taxpayers')
August, 2020	-	Between October 2 (for Taxpayer IDs ending in 0) and October 14 (for 'Good Taxpayers')

- **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 between March 31 and June 30 will not be considered for such purposes, provided they are paid, together with their default interest, on or before July 31.
 - ii. The full amount of the last installment is not paid within the established term. However, the installment payment regime will not be lost if the last installment expires between March 31 and June 30 and, together with its default interest, is paid on or before July 31.
- 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 falls between March 31 and June 30, the deferment will be lost if it is not paid on or before July 31.
- 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 falls between March 31 and June 30, they will be lost if not paid on or before July 31.
 - 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 between March 31 and June 30, the regime will be lost if it is not paid on or before July 31.
 - b. Having paid the application fee and the interest for deferral, the full amount of two (2) consecutive installments is owed. For such purposes, installments that fall due between March 31 and June 30 are not considered, provided they are paid, together with the applicable default interest, on or before July 31.
 - c. The full amount of the last installment is not paid within the established period. If the due date falls between March 31 and June 30, the installment payment regime will be lost if it is not paid on or before July 31.

- **New Deferral and/or Installment Regime (DIR) for tax debts administered by the Peruvian Tax Administration (SUNAT)**

Outstanding tax debts of companies and individuals, 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 deduction 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.

Other relevant measures regarding the DIR include the following:

Matter	Measures
Deadlines for deferrals and/or installments	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – 40% of the Default Interest Rate in force as of July 8, 2020.
Filing of applications	<ul style="list-style-type: none"> – Applications to the DIR must be submitted through Online Form No. 1704, from July 8 to September 30, 2020. – SUNAT shall resolve such requests within 45 calendar days from their submission.
Guarantees	<ul style="list-style-type: none"> – In specific cases, such as tax debts exceeding 120 Tax Units (i.e. S/ 516,000 or, approximately, US\$ 149,000), enough guarantees must be provided regarding the tax debt subject to deferral and/or installment (i.e. letter of guarantee and/or first-rank mortgage). – Letter of guarantees must be issued by an authorized Peruvian financial entity, for an amount that exceeds the tax debt subject to deferral and/or installment by 5%. – Mortgages must be issued for an amount that exceeds the tax debt subject to deferral and/or installment by 40%.

Furthermore, according to DIR regulations: (i) the calculation of monthly installments shall be performed by applying a formula that takes into account, among others, the tax debt amount, the monthly interest rate, as well as the number of installments; (ii) the minimum number of installments is two; and (iii) any payments made after submitting the

corresponding application, but prior to the issuance of the administrative resolution approving said application, are deemed as early installment payments (nonetheless, in case admission to the DIR is denied, such payments are attributed to the total tax debt).

- ***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 and customs infractions**

Tax infractions incurred by tax debtors between March 16, 2020 and June 30, 2020, will not be administratively sanctioned.

Exceptionally, tax infractions incurred by tax debtors whose fiscal residence as of June 26, 2020 is located in any of the departments where the quarantine is still in full force (i.e. Arequipa, Ica, Junín, Huánuco, San Martín, Madre de Dios and Áncash), will not be administratively sanctioned as from July 1, 2020 and until the end of said measure. In either case, the refund or compensation of payments related to such infractions will not proceed.

Furthermore, several customs infractions incurred by foreign trade operators, intervening operators and certain third parties between March 12 and June 30, will also not be administratively sanctioned. This measure has been maintained thereafter for certain intendencies located in provinces or departments where the quarantine is still in full force. Most recently, the application of said measure has been extended to several customs infractions committed between August 1 and August 31, 2020, in the intendencies of Cusco, Chimbote, Ilo, Mollendo, Pisco, Puerto Maldonado, Puno, Tacna and Tarapoto.

- ***Suspension of deadlines***

The calculation of deadlines in the context of administrative proceedings subject to positive and negative silences was suspended from March 16 until June 10, 2020, except for cases where an issued resolution was pending notification.

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 was suspended from March 21 until June 10, 2020.

In either case, public entities have 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.

27.2. 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. 046-2020-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 July 31, 2020.
- b) The deadline for the presentation of intermediate financial information as of March 31, 2020 has been extended until August 31, 2020.
- c) The deadline for the presentation of intermediate financial information as of June 30, 2020 has been extended until September 30, 2020.
- d) The deadline for the presentation of risk classification reports based on audited financial information from the 2019 financial year has been extended until September 30, 2020.
- e) The deadline for the presentation of the Economic Group has been extended until October 31, 2020.
- f) Required reports and information to be submitted through the MVNet System.
- 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 Nación*), 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 ($\frac{2}{3}$) 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, as amended from time to time)(Modified by Supreme Decree No. 124-2020-EF)***

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/90,000,000,000. 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) months of average monthly sales in 2019, according to the records of the Peruvian Tax Authority (SUNAT). As for micro-enterprises, the amount equivalent to two (2) months of average debt in 2019 may also be used (in addition to the aforementioned criterion) to determine the limit of the guarantee. This criterion shall be applied in accordance with the parameters established by the SBS for loans to micro companies, and is subject to a maximum amount of S/ 40,000. 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.

The guarantee covers the outstanding balance of the loan granted, as detailed below:

Loans per company (in soles)	Guarantees (%)
▪ Up to 90,000	98%
▪ From 90,001 to 750,000	90%
▪ From 750,001 to 7,500,000	95%
▪ From 7,500,001 to 10,000,000	80%

In order to determine the maximum credit amount per Debtor Company, the entities of the financial system (ESF) take into account all the loans that have been granted prior to the modifications of the maximum credit amounts and the conditions of access to the REACTIVA PERU program, considering the following:

- a) If, until May 31, 2020, the Debtor Company had obtained the REACTIVA PERU guarantee for a loan below the established maximum amount (3 months of average monthly sales in 2019), it can access a new loan only once, for up to the established maximum amount, maintaining the coverage percentage, as long as through this new loan it does not exceed the established maximum amount. However, in the event that the Debtor Company obtains the new loan only once, and such loan corresponds to a credit amount with a higher percentage of coverage, said percentage is applied.
- b) If the Debtor Company did not have the guarantee prior to May 31, 2020, and obtains the REACTIVA PERU guarantee for a loan, the maximum credit amounts and the percentages of coverage established by Supreme Decree No. 124-2020-EF (which modifies the maximum credit amounts) are applied thereto. In this case, the Debtor Company has a one-time access to the REACTIVA PERU guarantee.

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.

Loan eligibility: REACTIVA PERU loans finance the replacement of working capital and cannot be used to pay financial obligations that the debtor company has with REACTIVA PERU. Additionally: (i) it must not pre-pay financial obligations in force before paying off the loans covered by the guarantee, and (ii) it must not distribute dividends or approve and/or split profits during the term of the loans, except for the amount and/or percentage corresponding to the workers' profit share.

Moreover, if by exercising its prerogative to assess physical files COFIDE detects a breach to said obligations, it is entitled to require the replacement of the guaranteed loan from the

ESF, within a maximum term of five (05) working days from the notification made by COFIDE. In case of failure to comply thereto, the guarantee granted to such loans will be automatically extinguished and COFIDE must immediately inform the BCRP.

Eligibility of Debtor Companies: The debtor company must not have tax debts administered by SUNAT, which are due in coercive collection, greater than 1 UIT for periods prior to 2020. Also, as of February 2020, such companies must be classified in the Financial System, at the SBS risk center, in the category of "Normal" or "With Potential Problems" (CPP).

If they are not classified as of said date, they must not have been in a category other than "Normal" during the 12 months prior to the granting of the loan. Companies with no classification in the last 12 months are also considered as "Normal".

Companies linked to the ESFs, and those included in the Law that ensures the immediate payment of civil reparation in favor of the Peruvian Government in cases of corruption and related crimes (Law No. 30737), as well as legal persons or legal entities that are partners, associates or consortiums, and any person or legal entity subject to prosecution for corruption and related crimes or whose representatives are being investigated for such crimes, are not eligible as beneficiaries. The credits of individuals or legal entities that have fulfilled the total payment of the civil reparation are excluded from this limitation, provided they are authorized to contract with the Government. This exclusion criterion is met by the submission of an affidavit.

Loans granted under the terms and conditions of the REACTIVA PERU Program may not be refinanced or restructured through the Expedited Bankruptcy Refinancing Procedure ("PARC") or any other bankruptcy scheme.

Debtor Companies that carry out, or intend to carry out, any of the activities listed below (among others), are not subject to financing from REACTIVA PERU, nor is the borrower subject to receiving the guarantee from REACTIVA PERU:

- a) Activities that imply a breach of the fundamental principles and rights of workers.
- b) Sectors with a negative social perception.
- c) Production or trade of dangerous products for human health and ecosystems.
- d) Activities that damage natural ecosystems.

Supervision and oversight: COFIDE implements a Complaint Management System to receive and address duly supported complaints that are related to any failure to comply with the rules governing the operation of the Program.

COFIDE is authorized, directly or indirectly, to request physical and/or digital information, to carry out file review visits, to ensure the correct application of REACTIVA PERU and the guaranteed credit portfolio, within the framework of the regulations. COFIDE coordinates and/or implements a collaboration mechanism that allows it to request access to databases of individuals and/or legal entities that are being prosecuted for acts of corruption and related crimes, from the Judiciary, the Public Prosecutor's Office, the Attorney General's Office of the Ministry of Justice and Human Rights or any other competent body on the subject.

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 (Regulated by Ministry Resolution No. 178-2020-EF/15)**

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 contract by which the granting of the Guarantee will be formalized is approved through a Ministry Resolution issued by the MEF. Moreover, the guarantee granted by the National Government to the Credit Portfolio made up of individual loans of less than S/ 20,000, is exclusively channeled through a trust.

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.

Effectiveness: Issued guarantees are effective only to guarantee 80% of the ESF's credit portfolio, upon delivery of the corresponding certificate by COFIDE. Likewise, the guarantees are effective only for loan portfolios used in operations with the BCRP, and remain effective until the maturity of the operations with the BCRP in which the Program's loan portfolios have been used.

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).

Eligibility of participating companies: The ESF must comply with the eligibility criteria of the credit portfolios, as well as with the commitments of the Participating Entities (i.e. maintain the provisions corresponding to the transferred portfolio, guarantee the existence and enforceability of the transferred credits, among others). In addition, the ESF must record, as a daily average in the month prior to the date in which it joins the Program, the sum of its liquid assets less the reserve requirements, in both currencies, lower than 25% of the Total Reserve Requirement in local currency (according to the SBS exchange rate), or a decrease of more than 10% in the average daily balance of the Total Reserve Requirement in local currency in the last fifteen days, with respect to its average daily value reached in the month prior to the month in which it joins the Program.

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.

Guaranteed portfolio and limits per participating company: The maximum amount of the credit portfolio that each ESF can enroll in the Program is based on its effective equity as of February 29, 2020, adjusted according to its risk classification, or the sum of S/ 600,000,000, whichever is lower. Said limit is 100 % of effective equity for ESFs with a risk rating of at least B, issued by a risk rating company; 80 % of effective equity for ESFs rated between B- and C-; and, 60 % of effective equity for ESFs rated below C-. In the case of two or more risk classifications, the higher risk classification is applied. If the participating ESF agrees to share profits generated in fiscal year 2019, the amount of this sharing is discounted from the maximum guaranteed portfolio amount that the participating entity can access under the Program.

Credits through Trust: The guarantee can be granted through a structured securitization trust with COFIDE, which contains a portfolio of credits granted by the ESFs. The ESFs participating in the Program transfer the loan portfolio in administration to a trust, which receives it as trust property to ensure its recovery. Once the portfolio is transferred to the trust, COFIDE transfers to the participating company a Certificate of Participation with guarantee for 80% of the amount of the transferred portfolio and a Certificate of Participation without guarantee for the remaining amount.

The participating ESFs that are included in the Program enter into a framework contract for the temporary transfer of rights in exchange for Certificates of Participation with a repurchase agreement and collection trust with COFIDE. COFIDE may require, from the participating ESF, the subscription of any document proving the subrogation. The participating ESF that accesses the Program, commits to reacquire the transferred portfolio in a maximum period until December 31, 2024.

Term of the Guarantee: The term of the guarantee is for the entire duration of the Program, subject to the aforementioned conditions of effectiveness.

Securitization: COFIDE is authorized to act as the securitization company for the Trust operations under the Program.

Term, validity and settlement: The Program is valid until December 31, 2024, at which time the participating company agrees to repurchase the transferred portfolio. After that date, COFIDE starts the liquidation of the Program.

- ***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.

- **Supreme Decree No. 154-2020-EF – Extension of term for the granting of the National Government Guarantee to the credits of the "REACTIVA PERU" Program**

The term for the granting of the National Government guarantee was extended until September 30, 2020.

- **SBS Resolution No. 1753-2020 – Extension of the suspension of administrative time limits related to the functions and powers of the SBS**

The SBS extended the suspension of the computation of administrative terms related to its functions and attributions, from July 1 to July 31, 2020 (inclusive).

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 from July 1 to July 31, 2020 (inclusive), with the exception of those referred to provisions with respect to which the SBS would have expressly required compliance thereof.

- **SBS Resolution No. 1747-2020 - 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 August 31, 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, and shall be extended for all securities with protest periods that expire until August 7, 2020 (inclusive).

- **Legislative Decree 1511 – Creation of the Accelerated Procedure for Bankruptcy Refinancing ("PARC")(Regulated by Supreme Decree No. 102-2020-PCM)**

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.

Applicable Administrative Silence Regime: The PARC regulated by Supreme Decree No. 102-2020-PCM is a prior assessment procedure, subject to negative administrative silence with respect to the following actions:

- a. The Commission's pronouncement on the status of the PARC application filed by the Qualified Entity.
- b. The Commission's pronouncement on the credit recognition requests that have been filed.
- c. Decision of the Chamber on the appeals filed against the acts set forth in paragraphs a) and b) above.
- d. Decision of the Commission or the Chamber, as the case may be, on the procedure for challenging the agreement to approve or reject the Business Refinancing Plan.

Conditions for applying to PARC: A Qualified Entity must meet the following conditions in order to be eligible for PARC:

- a. Be classified within the category of "Normal" or "With Potential Problems" in the Financial System. If as of such date it has no classification, it must not have been in a category other than "Normal" during the twelve months prior to the granting of the loan. Those which do not have any classification in the last twelve months will also be considered as "Normal".
- b. Not having been subject to an ordinary bankruptcy proceeding, either at their own request or at the request of creditors, or to a preventive bankruptcy proceeding that is published in the Bankruptcy Bulletin.
- c. Not having accumulated losses, less reserves, equal to an amount greater than one third of the paid-up share capital, as provided for in the General Law on the Bankruptcy System or in any of the cases of dissolution established in the General Law on Companies.

Credit Recognition: Once the PARC's notice of commencement is published in the Bankruptcy Bulletin, the creditors of the Qualified Entity have a maximum period of ten (10) business days from the day following the publication to appear at the proceeding to request the recognition of their credits, generated until the date of said publication.

PARC's Creditor Committee: It is carried out online and 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.

The Creditors Committee is convened for a single date. The installation requires the remote participation of creditors with recognized credits that represent more than fifty percent (50%) of the total referred credits. This must be done with the remote participation of a Notary Public appointed by the Qualified Entity, who will conduct the meeting, verify the quorum of installation, of the majority required for the adoption of resolutions, and prepare the minutes of the Meeting following INDECOP's digital format. Said minutes are signed only by the Notary, who sends them, along with the corresponding electronic recording of the meeting, to the Technical Secretariat of the Commission within two business days following the meeting.

The approval of the Business Refinancing Plan requires the favorable vote of creditors representing recognized credits in an amount above fifty percent (50%) of the total of such recognized credits.

Business Refinancing Plan (PRE): The approval or rejection of the PRE determines the conclusion of the PARC, without the need for a pronouncement by the Commission for such purpose, but only the digital record by the Technical Secretariat of the Commission stating whether or not the Board of Creditors agreed to the approval of the PRE, according to the count of votes received electronically on the date of the Meeting of Creditors and recorded by the Notary in the corresponding minutes.

- ***Circular No. 0021-2020-BCRP – Reporting Operations with Credit Portfolio Rescheduling***

Description of Operations: In Reporting Operations with Credit Portfolio Rescheduling (Operations), participating entities (PE) sell securities or foreign currency to the Peruvian Central Reserve Bank (BCRP), receive local currency (amount of the sale) and are obliged, at the same time, to repurchase such securities or foreign currency at a later date, against payment of local currency (amount of the repurchase).

The BCRP reserves the right to decide on the characteristics of the securities that it will accept in each Transaction, the amount and the opportunity of the Transactions. Likewise, the BCRP may establish maximum allocation amounts for each PE and limits to the balance of Trades in force for each PE.

Application: The PEs may sell negotiable and first quality debt securities to the BCRP, in which case the Transaction shall be carried out under the provisions for Securities Reporting Transactions in Local Currency; securities representative of credit portfolio, in which case the Transaction shall be carried out under the provisions for Securities Reporting Portfolio represented in Securities; or foreign currency, in which case the Transaction shall be carried out under the provisions for Currency Reporting Transactions.

Participating entities: The financial system entities, multiple operations financial entities, or other financial institutions determined by the BCRP, which are authorized to capture deposits from the public. The BCRP may restrict the list of PE in each Transaction according to the criteria it will announce in the corresponding Transaction announcement.

Terms of the Operations: The BCRP shall carry out the Operations through direct Operations and may have terms ranging from 6 to 48 months. The BCRP shall charge for the Operation a fixed annual interest rate in national currency which shall be established by

the BCRP. The PEs may request to make the early repurchase of the securities or foreign currency, as applicable.

Operation Amounts: PEs commit to reschedule their clients' loan portfolios or portfolios purchased from other financial entities, for an amount at least equivalent to the amount disbursed in the Operation and to comply with the conditions established in the referred Circular.

Operations: To be able to participate in the 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 containing the powers that authorize their legal representatives to execute said contract.

- ***Urgency Decree No. 070-2020 – For the economic reactivation and attention of the population through public investment and current expenditure to face the health emergency produced by Covid-19***

Through this Urgency Decree, the Peruvian government has approved the “ARRANCA PERÚ” Program.

ARRANCA PERÚ consists of an economic injection to four sectors that execute infrastructure works: Transport and Communications, Housing, Agriculture, and Labor. In total, it is an investment of S/6,436 million (approximately US\$1,890 million).

Transport and Communications will receive S/3,987 million for the maintenance of the national and local road network. Housing will receive S/535 million for the construction of new homes and S/937 million for the intervention of public spaces. Agriculture will receive S/373 million for the improvement of water collection systems and irrigation channels, as well as the maintenance of irrigation and drainage channels. Finally, Labor will receive S/694 million for internal programs that seek to generate different jobs.

- ***Supreme Decree No. 159-2020-EF - Extension of the amount of the Guarantee of the "REACTIVA PERU" Program***

Extension: The granting of the National Government's guarantee is extended, up to the amount of S/ 30 000 000 000 in addition to those granted previously (S/ 90 000 000 000 in total), in support of the loan portfolios and the loans granted within the framework of the REACTIVA PERU Program that meet the conditions and requirements for access to said Program, as established in its Operating Regulations.

- ***Urgency Decree No. 082-2020 - Exclusion of credits granted under the REACTIVA PERU program from bankruptcy proceedings***

Credits granted under the terms and conditions of the REACTIVA PERU Program, created by Legislative Decree No. 1455, as amended, may not be subject to refinancing or restructuring through the Accelerated Bankruptcy Refinancing Procedure ("PARC"), created by Legislative Decree No. 1511, or other bankruptcy scheme, until December 31, 2020.

- ***Urgency Decree No. 082-2020 - Complementary Measures for the Financing of Small Agricultural Producers (Regulated by Ministry Resolution N° 226-2020-EF/15, as amended from time to time) (Modified by Supreme Decree N° 212-2020-EF)***

This measure creates the National Government's Guarantee Programme for Agricultural Business Funding (FAE-AGRO).

Purpose: To guarantee working capital credits for farmers engaged in family farming under the Law on the Promotion and Development of Family Farming, in order to ensure the 2020-2021 agricultural year, as well as the national food supply.

Administration: FAE-AGRO is managed by Corporación Financiera de Desarrollo S.A. - COFIDE.

Guarantee: The National Government's Guarantee only covers credits in national currency that are placed by the Financial System Companies (ESF) and the Savings and Credit Cooperatives (COOPAC) not authorized to collect resources from the public; as of the effective date of FAE-AGRO's Operating Regulations until December 31, 2020.

Resources: The National Government's guarantee granted under the FAE-AGRO is channeled through guarantees to the credit portfolios implemented through a trust. The Ministry of Economy and Finance is authorized to grant the National Government Guarantee for up to S/ 2 000 000 000.

Limits to the Guarantee: The limit of the individual guarantee granted by the FAE-AGRO is for loans intended solely for working capital of small agricultural producers. This guarantee granted through COFIDE to the ESF and COOPAC, is applied according to the following percentages of portfolio coverage per debtor:

Loan amount (in Soles)	Guarantee (%)
Up to S/ 15 000	98
From S/ 15 001 to S/ 30 000	95

Eligibility of FAE-AGRO beneficiaries: Small agricultural producers are eligible if they:

- a) Obtain credits for working capital to be used in the 2020-2021 agricultural year;
- b) Are classified in the Financial System, as of February 29, 2020, at the SBS Risk Center, in the category of "Normal" or "With Potential Problems" (CPP).
- c) If no classification has been made by said date, the small farmer must not have been in a category other than "Normal" for the 12 months preceding the granting of the loan. Those not having any classification in the last 12 months will also be considered in the "Normal" category.
- d) In addition, as long as the Ministry of Agriculture and Irrigation (MINAGRI) implements the Register of Agricultural Producers and their Organizations in the Value Chain, small agricultural producers must prove that they work the land directly in extensions of up to five (5) hectares and that they qualify in the category of "Intermediate Family Farming" or "Consolidated Family Farming", in accordance with the provisions of the Law for the Promotion and Development of Family Farming.

Term of the guaranteed credits and access to the FAE-AGRO: The term cannot exceed twelve months. The ESFs and the COOPACs are authorized to adapt the installments and amortizations of the credits granted to the phenology of the crop developed by the small agricultural producers, being able to include one or more periods of grace that added do not exceed the term of the credit indicated in the preceding numeral, according to the established in the operative regulations.

- ***Urgency Decree N° 076-2020 - Complementary measures destined to the financing of Micro and Small Businesses of the Tourism Sector (MYPEs) (Regulated by Ministry Resolution N° 228-2020-EF/15, as amended from time to time)(Modified by Supreme Decree N° 212-2020-EF)***

This measure creates the Fund for Business Support to MYPEs in the Tourism Sector (FAE-TURISMO).

Purpose: To guarantee credits for working capital of MYPEs that carry out activities of accommodation establishments, interprovincial land transport of passengers, tourist transport, travel and tourism agencies, restaurants, leisure activities, organization of congresses, conventions and events, tourist guiding, and production and marketing of handicrafts.

Resources: FAE-TURISMO has resources of up to S/ 500,000,000, which are intended to provide coverage for guaranteed loans granted to MYPEs in the tourism sector. The purpose of the guaranteed credit, presented to COFIDE, is to cover exclusively the working capital needs of MSMEs in the tourism sector.

Administration: A Trust Agreement is executed between the Ministry of Foreign Trade and Tourism, as trustor, and COFIDE, as trustee, in order to constitute a trust patrimony for the administration of the FAE-TURISMO.

Guarantee : Together with the guarantee by FAE-TURISMO, Corporación Financiera de Desarrollo S.A. - COFIDE grants credits to Financial System Companies (ESF) and Savings and Credit Cooperatives not authorized to capture resources from the public that are in the National Registry of Savings and Credit Cooperatives not authorized to capture resources from the public (COOPAC). The guarantee of FAE-TURISMO for COFIDE is for 100% of the honest portfolio.

Limit of FAE-TURISMO guarantee: The guarantee granted by FAE-TURISMO covers a maximum amount equivalent to three times the average monthly working capital debt registered by the MYPE, in the year 2019, in ESF or COOPAC.

The limit of the individual guarantee granted by FAE-TURISMO is for credits destined only to working capital of MYPEs. This guarantee granted through COFIDE to the ESF and COOPAC, is applied according to the following percentages of portfolio coverage per debtor:

Loan amount (in Soles)	Guarantee (%)
Up to S/ 90 000	98
From S/ 90 001 to S/ 750 000	95

Eligibility of EAF-TURISMO beneficiaries: MYPEs are eligible as beneficiaries of FAE-TURISMO if they:

- a) Obtain loans for working capital, according to the parameters established by the Superintendence of Banking, Insurance and Private Pension Fund Administrators (SBS) for loans to micro and small enterprises; or
- b) Are classified in the Financial System, as of February 29, 2020, at the SBS Risk Center, in the category of "Normal" or "Potential Problems" (CPP). In the event of not having been classified on that date, the MYPE must not have been in a category other than "Normal" during the 12 months prior to the granting of the loan. In the event that the MSME is financed through a COOPAC and does not have information in the SBS Risk Central, the eligibility criteria may be established in the Operating Regulations.

Term of guaranteed credits and eligibility for the FAE-TURISMO: The term of working capital credits granted by the ESFs to MYPEs in the Tourism Sector may not exceed sixty months. ESFs and COOPACs are authorized to include a grace period of up to eighteen months in the aforementioned period.

The resources of the FAE-TURISMO can be used for credits granted until December 31, 2020. Credits granted under the terms and conditions of FAE-TURISMO cannot be refinanced or restructured through the Expedited Procedure for Refinancing in Bankruptcy ("PARC") or any other bankruptcy scheme.

Term: The FAE-TURISMO has a six year term, counted from the execution of the trust contract.

27.3. 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 No. 011-2020-TR:** The Peruvian Government proposed complementary terms and conditions that should provide a better understanding 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.

- **Superintendence 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.

- **Supreme Decree No. 094-2020-PCM:** The Peruvian government has extended the National State of Emergency until June 30, 2020, and has taken complementary measures in order to balance the prevention against COVID-19 spread and the progressive resumption of economic activities, such as:
 - Progressive return of the following activities: i) e-commerce for consumer goods at home, ii) Medical services other than those related to the care of COVID-19, iii) delivery through mobile application services, iv) technical services provided by independent professionals (at home) and v) federated sport activities.
 - Permission to use private vehicles: Individuals are allowed to use private vehicles within their district of residence only for the purpose of supplying food, medicine, financial services (the exception authorizes 1 person per vehicle), as well as for the transportation of persons in case of medical emergency. For working purposes, only private vehicles authorized by the Ministry of Defense may be used.

- **Ministry Resolution No. 099-2020-TR:** Even though Risk Group employees must execute remote work, they are allowed to return to work in person if needed. For such purposes, employees must submit a statement by which they voluntarily agree to return to activities. However, a prior medical habilitation must be executed by the employer once the employee notifies his returning decision and must inform him about risks control and preventive measures against COVID-19.

- **Superintendence Resolution No. 083-2020-SUNAFIL:** The National Superintendence of Labour Inspection (SUNAFIL) extended the suspension of the computation of terms, regarding its procedures. The extension has been established until June 10, 2020, and applies to the following procedures:
 - Inspection and administrative sanctioning procedures.
 - Administrative procedures subject to negative or positive silence.
 - Deadlines for the start and processing of administrative procedures and those of any other nature (procedures regarding access to public information, payment of fines in installments, coercive enforcement of SUNAFIL, among others).

- **Supreme Decree No. 101-2020-PCM:** The Peruvian Government approved the second phase of the progressive plan to resume certain activities. Among the Phase 2 activities intended to begin this month of June, are agriculture, mining (exploitation of resources by small and medium companies), manufacturing (animal food, alcoholic beverages, transport material, etc.), construction (public and private investment projects), commerce, services (professional, communications, transportation, etc.). Companies with activities that are part of Phase 1 will be able to operate without the need to have the competent sectorial authorization. However, compliance with previous established sanitary measures is still obligatory.

Additionally, activities of production and trade conglomerates (with the exception of the cities of Tumbes, Piura, Lambayeque, La Libertad, Loreto, Ucayali, Ica and the provinces of Santa Huarmey and Casma from Ancash) may restart within their own

local centers to sell products and provide services through e-commerce and delivery, at their own expenses. For this purpose, compliance with previously approved protocols and standards established by the Ministry of Health and Government is mandatory.

- **Supreme Decree No. 020-2020-SA:** The National State of Health Emergency has been extended for a 90 calendar-day period (from June 10, 2020 until September 8, 2020).
- **Legislative Decree No. 1498:** The Peruvian Government will grant Labour Certificates for Adults (“CERTIADULTOS”) to citizens who are thirty years old or older. The purpose of this measure is to facilitate their reintegration into the formal labour market, by granting, in a single step and document, all the information required by employers, ensuring the veracity of that information, in the framework of the National State of Health Emergency. This certificate will be issued free of charge by the Ministry of Labour and Employment Promotion and at the request of the citizen owner of the information. Additionally, the Labour Certificate for Adults will mainly contain the following official information: citizen identity data, police records, criminal and judicial records, education (including diplomas and registered degrees) and other past work experience.
- **Ministry Resolution No. 377-2020-MINSA:** The Peruvian Government has amended the procedure by which companies authorized to restart activities are required to register a Plan for the surveillance, prevention and control of COVID-19 at work before the Ministry of Health. The main modifications include the following:
 - Registration of the Plan must be done digitally automatically, and must be updated monthly.
 - The Plan’s requirements will be subject to verification by the National Center for Occupational Health and Environmental Protection for Health Purposes (CENSOPAS). In case an observation is made regarding the lack of any of the requirements, a corrective measure of suspension or cancellation of the registration shall be issued until the corresponding rectification is made, which shall be known to the employer by means of an e-mail request.
 - After the registration is completed, the employer must send 1 copy of the Plan to all of its workers, within 24 hours.

Moreover, it has been established that CENSOPAS will manage the following information sources: i) a Record of incidents reported by employer and workers, ii) a Register of Health Professionals of the Occupational Safety and Health Service and iii) an Informative Platform to answer consultations from employers and workers on the registered Plan. Said platform must be enabled within 4 business days from the publication of the abovementioned ministry resolution (until 17/06/2020).

Finally, it has been established that, every 15 calendar days, CENSOPAS will publish information related to (i) the companies that have a Plan registered in SICCOVID-19; (ii) the Register of Incidents have been communicated by the employer and/or employees; and, (iii) the companies that have been subject to subsequent control and that have a corrective measure of suspension or cancellation of their registration.

- **Supreme Decree No. 110-2020-PCM:** The Peruvian Government has extended the activities of Phase 2 and established the start of activities related to shopping centers, conglomerates and department stores from 22/06/2020, with the exception of the departments of Ica, La Libertad, Arequipa, Huánuco, San Martín and the provinces of Santa, Casma and Huaraz in the department of Ancash. In this regard, it is specified that the resumption of activities will be carried out once the Plan for the surveillance, prevention and control of COVID-19 in the workplace has been registered with the SICCOVID-19 of the Ministry of Health (this registry is available since 19/06/2020).

Among other measures, the hours of compulsory social immobilization have been reduced to a new schedule: from 9 p.m. until 4 a.m. of the following day. On Sundays, the compulsory social immobilization will be maintained for the entire day.

- **Superintendence Resolution No. 089-2020-SUNAFIL:** The Peruvian Labour Inspection Authority established new measures regarding the labour inspection within the National Health Emergency context. The most relevant measures are the following:
 - The inspection personnel must exercise their functions virtually and in person (in a restricted manner) to prevent COVID-19 propagation.
 - In case work centers provide services or activities during the National Emergency period without Government authorization, they may be imposed with precautionary measures of area or establishment closure. Additionally, these companies would be committing "very serious" labor infractions.
 - The investigation stage may be carried out through (i) visits to work centers and workplaces, in coordination with the Ministry of Health, and/or the presence of the subjects under inspection on the premises; or, (ii) information requirements, through the use of information and communication technologies. These activities may be continued in person and/or virtually.
 - Additionally, these procedures may be carried out by requiring the employer to make a video call to visit the work center's facilities in order to verify the minimum sanitary conditions for the prevention, monitoring and control of COVID-19 in the workplace.

- **Supreme Decree N° 015-2020-TR:** The procedure to register Suspensions of Labour Relations has been modified. From now on, employers who register a Suspension of Labour Relation under the scenario of "Level of Economic Impact" are not required to prove the prior adoption of alternative measures that seek to maintain the employment relationship (i.e. granting of vacations, signing of agreements for the reduction of the workday and/or remuneration, among others), provided they are in one of the following scenarios:
 - Sales in the month prior to the application of the SPL are equal to ZERO. The calculation of the ratios intended to demonstrate the level of economic affectation is published at www.gob.pe/mtpe; or,
 - Companies that have 100 workers or less (condition to be accredited with the Electronic Payroll - PLAME).

These scenarios will be taken into account by the Labor Inspection Authority during the verification of Suspensions of Labour Relation measures. Additionally, this exemption of obligation is applicable to procedures that are already in process.

- **Supreme Decree No. 116-2020-PCM:** The Peruvian Government declared the extension of the National State of Emergency (until 31/07/2020) and thus, individuals should fulfill the following rules:
 - Specific quarantine rules: Mandatory quarantine will affect (i) individuals under the age of 14; (ii) individuals over the age of 65 and/or who have been diagnosed with health comorbidities, and (iii) all individuals in the cities of Arequipa, Ica, Junín, Huánuco, San Martín, Madre de Dios and Áncash.
 - Mandatory curfew schedule: All individuals must be under curfew between 10:00 p.m. and 4:00 a.m. of the following day. On Sundays, curfew should be maintained for the entire day. Moreover, in certain cities (Arequipa, Ica, Junín, Huánuco, San Martín, Madre de Dios and Áncash) applicable curfew is from 8:00 p.m. to 4:00 a.m. Nonetheless, employees who perform the following activities are exempted from the aforementioned curfew: supply of goods, health and medicines, financial services, water, sanitation, electricity, gas, fuel, telecommunications and related activities, authorized activities, transportation, drugstores and press and media services.

- **Supreme Decree No. 117-2020:** The Peruvian Government approved Phase 3 of the progressive plan to resume certain economic activities. Activities allowed to initiate during July 2020 (besides activities included in Phase 1 and 2) are, among others: agriculture, mining, construction (general projects), retail (at a 50% capacity), restaurants (at a 40% capacity), services (accounting, investigation, leasing, arts and entertainment, etc.) and domestic flights. Phase 3 activities are not allowed to operate in urban areas of the cities of Arequipa, Ica, Junín, Huánuco, San Martín, Madre de Dios and Áncash.
- **Ministry Resolution No. 448-2020-MINSA:** Along with the resumption of Phase 3 economic activities, the Peruvian Ministry of Health established new guidelines and obligations related to health surveillance and occupational health and safety measures to prevent the spread of COVID-19. Main modifications include:
 - The company's Safety and Health Service is responsible for determining the frequency of disinfection, the daily frequency, the protective equipment for the people who carry out cleaning duties and the determination of the substances to be applied must be determined by the TSS service.
 - Monitoring and control must be carried out on those employees who report temperatures over 37.5°C. For those with temperatures under 38°C, medical and preventive home isolation must be indicated (this measure is not mandatory for companies with less than 20 employees).
 - In the event of a suspicious case or contact with a confirmed case, the employer will grant medical leave for the time of isolation and/or quarantine.
 - Pregnant women: It is recommended not to defer prenatal rest. Pregnant and lactating women should perform remote work, if this is not possible, they should not be located in public exhibition areas.
 - Companies applying home office must establish surveillance mechanisms and monitoring of the health of their employees, such as: (i) constant communication, (ii) monitoring of positive cases, among others.
 - Employers who operate must update their "Plan for the monitoring, prevention and control of COVID-19 in the workplace" when: i) they start performing new authorized activities, ii) they modify their mandatory internal procedures or iii) they modify their return and reincorporation procedures.
- **Ministry Resolution No. 126-2020-TR:** The Peruvian Ministry of Labour and Employment Promotion established new measures related to the suspension of labour relationships. The most relevant changes include:
 - Extension of the suspension of labour relationships: Employers may extend the suspension of labour relationship measures until October 7th, 2020. Furthermore, measures with terms that ran until July 9th, 2020, may be extended only once.
 - Modification procedure: The modification of the maximum term of duration of a suspension of labour relationship measure must be carried out through the virtual platform of the Ministry of Labor and Employment Promotion, from July 10th until July 17th, 2020.
 - Obligation to inform affected employees: Employers who choose to extend the duration of the suspension of labour relationship measure must inform their affected employees, either physically or through electronic means.
- **Supreme Decree No. 017-2020-TR:** The Peruvian Government approved to modify Supreme Decree No. 011-2020-TR related to the "Economic Benefit for Social Protection Emergency in the context of the COVID-19 Pandemic". Said economic benefit is granted under the following requirements: (i) the number of workers (no more than 100), (ii) the worker must be part of a household that has not been the beneficiary of any other economic subsidy; and, (iii) the worker must receive a salary of up to S/ 2,400 (approximately, US\$ 683).

- **Resolution No. 849-GG-ESSALUD-2020:** The Peruvian Government has established that workers who are affected by the suspension of labour relationship and who do not have enough monthly contributions to access the public health coverage, will be covered during the period of their suspension. This health coverage would be granted exclusively in the network of ESSALUD (public health).
- **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 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.
 - **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 Units¹⁷ and a minimum withdrawal amount of 1 Tax Unit¹⁸.
 - **Law No. 31022:** Private Pension System funds that are withdrawn, under Law No. 31017, may not be subject to discount, legal or contractual compensation, seizure, retention, any form of affectation, whether by judicial and/or administrative order, for a 1 year period after the reimbursement is received. However, this measure exempts judicial or contractual withholdings derived from maintenance debts, for up to a maximum of 30% of the withdrawn amount.

Other measures

- **Supreme Decree No. 226-2020-EF:** New regulations have been established in order to facilitate the implementation of the VAT refund, which may be requested by foreign tourists regarding the VAT levied on the goods they acquired in registered Authorized Establishments.
- **Ministry Resolution No. 205-2020-EF/40:** The Ministry of Economy and Finance has approved a new proceeding for the electronic notification of acts issued by the Peruvian Tax Court, including (among others), resolutions issued under files of appeals, complaints and amendment requests. By virtue thereof, users submitting appeals, complaints or amendment requests related to administrative proceedings against SUNAT – as well as other Tax Authorities, such as the SAT, district and provincial municipalities, and non-municipal entities – are required to enroll in the Tax Court’s Electronic Notification System.
- **Superintendency Resolution No. 105-2020-SUNAT:** Entities seeking to provide services to electronic issuers must have the ISO/IEC-27001 certification as from January 1, 2021, in order to be registered in the Registry of Electronic Service Providers.

In addition, electronic issuers of the Electronic Issuance System (SEE) who as of December 31, 2019 were categorized as ‘Main National Taxpayers’, ‘Main Taxpayers of the Lima Intendency’ or ‘Main Regional Taxpayers’, and whose income in 2018 was equal to, or higher than, 300 Tax Units (S/ 1’245,000 or, approximately US\$ 377,200), shall be required to use the SEE-OSE and/or the SEE-SOL as from January 1, 2021 for the issuance of electronic invoices, receipts and notes.

¹⁷ According to the Tax Unit value for fiscal year 2020, such amount is equivalent to S/ 12,900 (approximately, US\$ 3,800).

¹⁸ According to the Tax Unit value for fiscal year 2020, such amount is equivalent to S/ 4,300 (approximately, US\$ 1,260).

- **Superintendency Resolution No. 106-2020-SUNAT:** The Integrated Virtual File System (IVFS) may also be used by the Tax Administration to process electronic files of inductive actions initiated by a notice, as well as to file requests and evidence inconsistencies or omissions referring to such inductive actions.
- **Supreme Decree No. 167-2020-EF:** The list of entities that may be exempted from the Value Added Tax (VAT) perception, regarding goods subject to the VAT Perception Regime, has been approved. The aforementioned list will enter into force on July 1, 2020 and its full version can be accessed through the following link: <https://www.mef.gob.pe/es/normatividad-sp-9322/por-temas/entidades-exceptuadas-de-la-percepcion-del-igv>
- **Tax Court Announcement:** Through an official announcement released on June 12, 2020, the Peruvian Tax Court has provided detailed instructions regarding the online submission of certain tax proceeding documents.
- **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:** Financial institutions must submit their 2018 and 2019 financial information before SUNAT between August 26 and 27, 2020, depending on the last digit of their Taxpayer ID number.
- **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 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/

28. POLAND (UPDATED 25.06.20)

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
- iii. “Anti-crisis Shield 4.0” published on 23.06.2020

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 be 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. All programs i.e. for micro, SME’s and large companies are already approved by the European Commission and are in operation.

It should be noted that certain measures may be discussed from the perspective of state aid and as such may be subject to certain limitations.

28.1. Tax and legal measures resulting from all Anti-Crisis Shields 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.
- **NEW: Postponement until 20.08.2020 PIT advances for March, 2020 until 20.10.2020 PIT advances for April 2020, until 20.12.2020 – PIT advances for May 2020**, due on salaries and social security payments for remitters who suffered negative economic consequences in connection with COVID-19 outbreak.
- **NEW: unconditional exemption of payment of the so-called minimum tax (special tax on commercial real estate)** due for 1 March – 31 December 2020. Previously, payment of tax was only extended until 20.07.2020 for March-May payments and was conditional by i.a decrease in revenues.
- **NEW: application of the new WHT regime**, imposing automatic collection of the 19% or 20% WHT on certain payments (passive and certain services) – unless relevant board members statement is signed or security opinion – obtained is suspended until 31.12.2020
- **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 expenses aimed at countering COVID-19 effects.
- **NEW: SAF-T_VAT:** postponement to 1 October 2020 (was: 1 July 2020).
- **Retail sales tax:** suspension to 31 December 2020.
- **New VAT rates matrix:** postponement to 1 July 2020.
- **NEW:** possibility to treat as tax deductible contractual penalties if they result from the obstacles caused by the COVID-19
- Postponement of the obligation to notify the actual ultimate beneficial owner to the UBO register for 3 months.
- **NEW: Suspension of the deadlines for domestic DAC-6 reporting** running from March 31 up to 30-days after cancellation of the epidemic state. Deadlines for reporting of the cross-border arrangements will start to run as of June 30, 2020.
- **NEW:** The deadline for submitting transfer pricing information (TPR-C and TPR-P forms) as well as the statement on preparation of local transfer pricing documentation for FY2019 is extended until - in general - 31.12.2020. The deadline for preparing the Master file documentation also extended by three months.
- 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 arrears as well as to maintain 2% profitability ratio are considered fulfilled if the Tax Capital Group's condition worsened due to COVID-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).
- **NEW:** during the state of epidemic and 2 months after, for WHT purposes: (i) possibility to use the copy of the certificate of residency of the foreign tax payer, if the data provided in the certificate does not raise doubts (ii) possibility to use the certificate of residency of the foreign tax payer for 2019 (statement of the tax payer that the data provided in the certificate remain unchanged is required) (iii) extension of validity of certain certificates of residency.

28.2. Social (employees's) measures

- **Co-financing of employees' salaries and other employees's issues**

- The "Anti-Crisis Shield" provides for three possible paths to obtain additional financing for employees' salaries. Co-financing programme 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 – reduced working time. Maximum co-financing: up to c.a. 440 EUR + Social security contributions / per FTE
 - subsidies from the Poviata 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.

NEW: there is also an option to obtain a co-financing for the employees that were not covered by the economic downtime or reduced working time.

- Extension of temporary residence permits for foreigners on the territory of the Republic of Poland.

28.3. Financial measures

- **NEW:** possibility to obtain additional subsidies to credit interest rate for up to 12 months – up to 1 p.p for large enterprises and 2 p.p for micro and SME's, whose liquidity is threatened due to COVID-19
- 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.
- **NEW:** Postponement of the deadline to pay perpetual usufruct fee for 2020 until 31.01.2021 (was 30.06.2020), also if certain conditions are met it is possible to apply for reduction of the perpetual usufruct due for 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/>

29. PORTUGAL *(UPDATED 11.06.20)*

In light of the COVID-19 crisis, the Portuguese Government has adopted several measures covering tax and other financial areas.

29.1. Tax measures enacted

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 July¹ 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 measure 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 enterprises (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.

29.2. Supplementary Budget for 2020 tax measures (pending)

The Portuguese Government presented on 9 June a Supplementary Budget Bill for 2020 that includes several tax measures. The Supplementary Budget Bill will now enter a phase of parliamentary discussion to arrive to a final text by 3 of July. Below we provide a summary of the key tax measures included in the draft, which approved will apply to the current taxable year.

- **Tax loss carry-forward.** Currently tax losses may be carry-forward for 5 years (12 years for qualifying SME) and the use of those losses against profits are capped at 70% of the year taxable income. The Budget proposal extends to 10 years for tax losses of 2020 and 2021 and increases the cap to 80% of the taxable profits. The budget also proposes the suspension of carry-forward period (for tax losses prior to 1 January 2020) during the periods of 2020 and 2021.
- **Tax losses in mergers for SME.** Currently in a merger of two Portuguese companies the amount of tax losses that can be transferred to the acquiring company is restricted based on the value of net assets transferred and the total net assets of the entities involved in the merger. The Budget proposal provides for a special regime for mergers of qualifying SME (with similar activity) that allows not applying the current net asset value limit and exempt from state surtax within a 3 year period.
- **New safe-harbor for acquisition of SME.** Currently, tax losses carried forward are forfeited upon a change in direct ownership of at least 50% of shareholding or voting rights unless falling under a specific safe-harbor. Outside the safe-harbors, a specific request to the tax authorities is required to preserve the tax losses on a change of ownership. The Budget proposal provides for a safe-harbor regime for the transfer of tax losses when the acquired company is a qualifying SME considered a “company in difficulty” and the transaction occurs until 31 December 2020. The regime is subject to several additional conditions.
- **Special limitation for CIT payments on account for 2020.** Currently CIT is paid in instalments due in July, September and December of the year in which taxable income arises corresponding to 95% of prior year corporate tax assessment (80% for companies with turnover below €500,000). Subject to several conditions being met regarding decrease of turnover of 20% or more than 40%, the Budget proposal provides that ailing Portuguese companies may waive totally or partially the 1st and 2nd CIT payment on account. Special rules are also provided for CIT payments on account for ailing companies in tax grouping (RETGS).
- **Special Investment Tax Credit (CFEI II).** With small adjustments to the tax credit put in place back in 2013, the Budget proposal reinstates a tax credit that provides a deduction to the CIT for 20% of the eligible investment costs (capped at 70% of the CIT due). The maximum amount of deductible eligible costs incurred between 1 July and 30 June 2021 per taxable person is limited to €5 million (i.e. €1m of tax credit). The deduction if not fully offset in the year of the investment may be carried forward for a 5 year period. The proposal provides for similar eligible investment costs as the 2013 prior tax credit. The only major addition is the requirement that the beneficiaries of the tax credit may not terminate employment contracts for three years under either a collective dismissal or a dismissal due to extinction of work.
- **Special extension of installment plans for companies in special restructuring processes.** The Budget proposal provided that companies in insolvency process, special process of revitalisation (PER) or extrajudicial recovery procedure (RERE) with an approved plan and complying with such plan may extend, under certain circumstances, installment plans in progress to any tax and social security debts arising between 9 of March and 30 June 2020.
- **Additional Solidarity Bank Levy for 2020.** The Portuguese Bank Levy in place since 2011 has raised several legal issues and tax litigation, including an Arbitration Court decision considering the Portuguese bank levy on Portuguese branches to be in violation of EU law. Recently the Budget Law for 2020 maintained the Bank Levy in place for 2020. The Budget proposal includes an Additional Solidarity Bank Levy earmarking the revenues directly to the Social Security Financial Stabilization Fund. The banking entities will be subject to a similar Bank Levy assessed on a similar taxable base composed of: (i) their liabilities, less their own Tier 1 and 2 funds and any funds allocated to the warranty deposit fund; and (ii) the notional amount of off-balance-sheet derivative financial instruments. The rates proposed for this Additional Bank Levy applicable to each elements of the taxable base are 0,02% and 0,00005% respectively.

29.3. 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/

30. ROMANIA (UPDATED 16.07.20)

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 **18 May 2020, a 30 days alert status was adopted at the level of Romania, which was further on prolonged with 30 more days** (i.e. until 17 July 2020).

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.

30.1. Tax measures

- **General tax measures**

The following two measures apply starting 21 March 2020 until 25 October 2020:

- **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 until 25 October 2020, 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 25 October 2020. 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.

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 second and third quarters/quarterly advance payments within the 26 June - 25 September period, respectively 26 September – 25 December 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 second and third quarter of 2020 resulted from other activities than those which fall under the specific tax regime

Revenues derived from the rental of real estate obtained by taxpayers subject to corporate income tax are taxable only in proportion of 80% of their value, provided the value of the rent was reduced with at least 20%, compared to February 2020. The incentive is applicable for the period for which the price reduction was negotiated, but not longer than December 31, 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.

Revenues derived from the rental of real estate obtained by taxpayers subject to microenterprise income tax are taxable only in proportion of 80% of their value, provided the value of the rent was reduced with at least 20%, compared to February 2020. The incentive is applicable for the period for which the price reduction was negotiated, but not longer than December 31, 2020.

- ***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

Taxpayers subject to the specific tax, do not owe for 2020 the tax for a period of 90 days. The tax applicable to certain types of activities due will be recalculated taking into account the period of 90 days for which it is not due, as well as the periods in which the taxpayers have totally or partially interrupted their activity due to the state of emergency.

The declaration and payment of the specific tax for the first semester is extended until 25 October 2020, inclusively.

- **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.

The revenues derived by individuals who during 2020 reduce the price for the use of real estate, by at least 30% compared to February 2020, are **exempt from personal income tax**. The incentive is applicable for the period for which the price reduction was negotiated, but **no longer than December 31, 2020**.

- **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 25 October 2020 (Presidential Decree no. 195/2020 and Emergency Ordinance no. 48/2020).

30.2. 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 would be granted by the state also after the cessation of the state of emergency for the fields of activity in which the restrictions will be maintained, until their ending, but no later than 31 December 2020.

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 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 would be granted by the state also after the cessation of the state of emergency for the fields of activity in which the restrictions will be maintained, but no later than 31 December 2020.

- **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).

- ***Measures applicable for employers – Emergency Ordinance no. 92/2020 published on 29 May 2020***

Starting with 1 June 2020, the employers whose employees were in technical unemployment during the emergency state or during the alert status benefit for 3 months of a compensation amounting to 41.5% of the employees' gross salaries, but no more than 41.5% of the average gross salary.

Employees who hire on a undetermined period of time, on a full-time basis, persons over 50 years old whose employment relationship has ceased for reasons not attributable to them, during the state of emergency or alert status, registered as unemployed or persons aged between 16 and 29 registered as unemployed, will receive for a period of 12 months, for each person employed from this category, a compensation amounting to 50% of the employee's salary, but no more than 2,500 RON.

- ***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.

30.3. 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.

- **Extension of DAC 6 reporting**

By the Government Emergency Ordinance no. 107/2020, the DAC 6 reporting deadlines are extended as follows:

- by 28 February 2021, for the information on reportable cross-border arrangements the first step of which was implemented between 25 June 2018 and 30 June 2020;
- the period of 30 days for filing information on reportable cross-border arrangements the first step of which was implemented between 1 July 2020 and 31 December 2020 will start on 1 January 2021, the latest.
- The first periodic report for marketable arrangements will be prepared by 30 April 2021.

30.4. 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.

Tenants (economic operators, practitioners of liberal professions and legal entities) whose activity has been discontinued or whose incomes or revenues have decreased by at least 15% in March 2020 compared to the average of the last calendar year, during the state of emergency period, as well as individuals directly or indirectly affected during the state of emergency period, **may also postpone upon request**, the payment of rent for the use of real estate registered as headquarters, workplaces or residences during the state of emergency and one month after its end, **without payment of interest and penalties.**

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).

- ***Rent payment facilities***

Tenants (economic operators, practitioners of liberal professions and legal entities) whose activity has been discontinued or whose incomes or revenues have decreased by at least 15% in March 2020 compared to the average of the last calendar year, during the state of emergency period, as well as individuals directly or indirectly affected during the state of emergency period, **may benefit from the being paid by the local authorities on their behalf.**

The rent payment to landlords for these tenants shall be thus made by the competent local tax authority, **at the request of the tenants, under certain conditions.** In order to benefit from this facility, the tenants must provide the tax authority with supporting documents.

The tenants must pay the monthly rent whose payment was postponed to the local tax authority, which paid the amounts to the landlord, in equal instalments, after the period in which the payment was postponed, **until December 31, 2020.**

- ***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.

- ***Cancellation of certain fiscal obligations (Emergency ordinance no. 69/2020)***

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

31. 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).

31.1. 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 mid-sized 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.

31.2. 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.

31.3. 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 mid-sized 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

32. 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.

32.1. 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.

32.2. 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.

32.3. 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>

33. SINGAPORE (UPDATED 28.05.20)

Following the end of the 'circuit breaker' period (7 April to 1 June 2020), the Singapore economy will gradually reopen in three phrases. As part of the first phrase of re-opening the economy, specified businesses in the services and manufacturing sector will be allowed to resume activities from 2 June 2020. Such businesses will operate on a class exemption and hence are not required to apply for business specific exemptions before resuming operations. The community transmission of the virus is largely under control.

33.1. 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	30 April 2020	30 June 2020
	Estimated Chargeable Income (ECI) for companies with Financial Year ending Feb 2020	31 May 2020	30 June 2020
4	GST Returns for accounting period ending March 2020	30 April 2020	11 May 2020
	GST Returns for accounting period ending April 2020	31 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	-	30 June 2020
	Tax clearances for foreign employee in May 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.

33.2. 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 relieving 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 conferencing, 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 and cash grant to tenants

Owners of the tenanted non-residential properties are required to pass on the property tax rebate and cash grant to the tenant.

f. Rent waiver to SME tenants

Under the proposed Bill that will be deliberated by Parliament, Small Medium Enterprises ("SMEs") tenants that can demonstrate a significant decline in revenue in the past few months will have their rents waived by their landlords. The proposed measure will provide SME tenants of commercial properties with rental waiver for a period of four months. The cost of the waiver will be shared equally between the Government and landlords.

g. Temporary relief from onerous contractual terms

In addition to proposed rental waiver, the Bill will provide temporary relief from onerous contractual terms such as excessive late payment interest or charges. The proposed measures will also allow tenants to repay their arrears through instalments.

33.3. 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 ten months of wages that are to be distributed in three tranches with an additional special payout in May 2020.

The level of support each employer will receive depends on the sector in which the employer operates. 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 all eligible employers regardless of sector 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.

Following the easing of the circuit breaker measures, companies that are not allowed to resume operations will continue to receive 75% wage support, during the period for which they are not allowed to resume operations, or until Aug 2020, whichever is earlier.

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.

For businesses that will not be allowed to resume operations after the circuit breaker period, the FWL waiver and rebate will be extended for up to two months for such businesses.

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. Self-Employed Person Income Relief Scheme

Eligible SEPs will receive cash payouts of SGD 1,000 a month for a period of nine months that will be paid in three tranches.

f. 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.

g. Solidarity Utilities Credit

A one-off SGD 100 Solidarity Utilities Credit will be given to each household with at least one Singapore Citizen. This will cover all property types and will be credited in the July or August utilities bill.

h. Rental relief for tenants in government owned/ managed non-residential facilities

No.	Category of Qualifying Tenants	Period of Waiver
1	Stallholders in Hawker Centres and Markets	Five months
2	Commercial Tenants	Four months
3	Other Non-Residential Tenants	Two months

i. Rental Relief for SME Tenants in Private Non-Residential Properties

SMEs with qualifying leases or licenses commencing before 25 March 2020 will be eligible for rental relief in the form of a cash grant to offset their rental costs. The amount of grant will be calculated based on the Annual Values of properties for 2020 and is to be disbursed automatically to qualifying property owners.

j. 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*

34. SLOVAKIA (UPDATED 18.06.20)

At the time of the pandemic outbreak, parliamentary elections took place in Slovakia (29 February 2020). Our new government, the members of which stand for a healthy and corruption-free business environment, was created on 21 March 2020. As early as on 2 April 2020, it managed to approve the **First Aid Package**, focused mainly on SME. Further packages and measures to help the Slovak economy to recover were adopted through April to June and contain also measures to help larger companies. 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.

A summary of legislative conditions approved or proposed as at 18 June 2020 can be found below.

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TOP 1: FINANCIAL SUBSIDIES AIMED AT MAINTAINING JOBS

Measure 1: 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. 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 list of employees are to be attached. Contributions are provided based on an Agreement on financial contribution. Given the pandemic, the authorities prefer electronic communication.

The Ministry of Labour has extended the payment of these contributions until 31/08/2020 and further extension until the end on 2020 is being considered.

Measure 2: 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. The lump-sum amount depends on the decrease in sales revenues:

Drop in sales revenues (%)	Lump-sum contribution per employee
20 – 39.99	EUR 180
40 – 59.99	EUR 300
60 – 79.99	EUR 420
80 and more	EUR 540

For March, 50% values apply.

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.

Measure 3A: Support of employers through the temporary Kurzarbeit scheme/ Proposal for permanent 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.

Currently, employees taking part in the temporary Kurzarbeit scheme are paid 80% of their average salary, max. EUR 880 per employee and month. The application is available at www.pomahameludom.sk.

Two months after the introduction of the temporary Kurzarbeit scheme during the pandemic in Slovakia, it can be concluded that hundreds of thousands of jobs can be saved in this way. Consequently, Slovakia is working on the preparation of a permanent Kurzarbeit scheme, which would enable the Slovak economy to gather financial means to be used during future recessions and/or extraordinary events.

In preparation of the new legislation, Slovakia is looking for inspiration abroad and wants to utilize the experience of other countries where Kurzarbeit has been successfully applied for years.

The Kurzarbeit schemes functioning in the neighbouring countries differ significantly in numerous parameters such as wage refund percentage, duration or way of financing. According to the information available to date (18 June 2020), Slovakia plans to finance Kurzarbeit through social insurance contributions according to the German model. In order to gather sufficient funds in the system, employees as well as employers will have to contribute on a long-term basis. According to estimates, if the social insurance contributions increased by 1 % (0.5 % on the part of employers and 0.5 % on the part of employees), EUR 2.4 billion could be accumulated during 10 years to help companies and their employees in the event of an unfavourable economic situation.

The government anticipates that the new scheme could be adopted by the end of the year. The initial introduction costs are expected to be covered by using additionally attributed EU funds.

Measure 3B: Lump-sum contribution per employee

Alternatively to the 3A Measure, a lump-sum contribution per employee can be paid out to employers to help cover the salaries of employees. The lump-sum amount depends on the decrease in sales revenues:

Drop in sales revenues (%)	Lump-sum contribution per employee
20 – 39.99	EUR 180
40 – 59.99	EUR 300
60 – 79.99	EUR 420
80 and more	EUR 540

Applications for the contribution are filed monthly, depending on the drop in sales revenues for the particular month.

The application is available at www.pomahameludom.sk.

Measure 4A: Contributions for self-employed persons with no other income

These contributions are aimed to be paid to self-employed persons who had to suspend or limit their activities due to the pandemic and who do not have the duty to pay social insurance contributions. The contribution is provided as a lump-sum amount in the amount of EUR 210 a month.

It is sufficient to submit the application for the contribution once and the contribution will be paid in the following months automatically. When the self-employed person starts performing its activities again and does not meet the conditions for the contribution anymore, it is obliged to inform the competent Labour Office and the contribution will be suspended.

The application is available at www.pomahameludom.sk.

Measure 4B: Contributions for one-person limited liability companies with no other income

Measure 4B is aimed to support individuals who are sole owners of a limited liability company, are not employed by the company and do not receive any other income. The contribution is provided as a lump-sum amount in the amount of EUR 210 a month.

It is sufficient to submit the application for the contribution once and the contribution will be paid in the following months automatically. When the limited liability company starts performing its activities again and does not meet the conditions for the contribution anymore, it is obliged to inform the competent Labour Office and the contribution will be suspended.

The application is available at www.pomahameludom.sk.

Measure 5: Contributions for citizens with no other income

The contribution is intended for citizens, who, due to the pandemic, cannot perform the activities from which they received income prior to the pandemic outbreak. The contribution is provided as a lump-sum amount in the amount

of EUR 210 a month per applicant (for March: EUR 105).

It is sufficient to submit the application for the contribution once and the contribution will be paid in the following months automatically. When the citizen starts performing its activities again and does not meet the conditions for the contribution anymore, he/she is obliged to inform the competent Labour Ministry in writing and the contribution will be suspended.

The application is available at www.pomahameludom.sk.

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 have been extended and the new “ordinary” filing deadline is uniform: the end of the calendar month following the end of the pandemic.

The tax is due within the extended deadline, too.

- The filing deadlines for the **report and the annual reconciliation for an employee issued by the employer** have been 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**

In general, 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. Where tax returns were filed until 30 March or before the new “pandemic” deadline, overpayments will be refunded by the tax administrator within 40 days after the end of the months in which the tax return was actually filed.

- **Suspension of income tax advances**

An important change adopted in April is the provision on the payment of tax advances specifying that the taxpayer may choose the most favourable of four options:

- if the sales revenues dropped by 40 % - taxpayers do not have to pay any tax advances (starting from May), Taxpayers have to submit the application for the exemption of tax advances with the declaration that their sales revenues dropped by 40 %.
- 2019 tax liability > 2018 tax liability (tax advances may be paid in the same amount as in the previous year).
- 2019 tax liability < 2018 tax liability (tax advances according to the 2019 tax liability).
- Filing a request (with the tax administrator) for determining tax advances on an individual basis.

TOP 3: LIQUIDITY SUPPORT: DEFERRAL OR EXEMPTION OF INSURANCE CONTRIBUTIONS

The measures are specified mainly in the Act No. 68/2020

Employers and self-employed persons whose sales revenues fell by at least 40% were able to defer their social and health insurance contributions for the period **3/2020** until 31 July 2020. The deadline for social insurance contributions was later extended to 31/12/2020.

For **April 2020**, taxpayers (employers and self-employed) with at least one operation closed for at least 15 days in April were exempt from the duty to pay social (but not health) insurance contributions.

For **May 2020**, employers and self-employed were able to defer (only) social insurance contributions.

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 in form of a loan.

To be provided the guarantee, SME have to meet numerous conditions, such as non-existence of social and health insurance arrears, non-existence of bankruptcy or restructuring proceedings etc. 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).

The loans are provided by the Export Import Bank of Slovakia and by the Slovak Guarantee and Development Bank. A precondition for the loan is maintaining jobs and the non-existence of social security liabilities as at the end of the period.

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.

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.

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.

If reasons for cancellation of the VAT registration of a VAT-registered entity originate (e.g. repeated failure to file a VAT return, repeated non-payment of VAT), this entity will not be published on the blacklist during the pandemic.

If a VAT-registered entity with right to an excessive VAT deduction refund within a shortened period has customs arrears or unpaid mandatory social/health insurance contributions during the pandemic, these arrears will not prevent the excessive VAT deduction refund within a shortened period if paid within the end of the calendar month following the month in which the pandemic ends.

Some countries, e.g. Germany, Austria and Czech Republic, have decided to reduce their standard and/or reduced VAT rate as a measure to help the economy to recover. Depending on the country, the VAT rate reduction applies either to specific sectors or to all goods and services. In Slovakia, the VAT rates have not been changed so far (as at 15 June 2020). However, the development in the neighbouring states has triggered discussions on this topic and the possibility of future VAT rate changes cannot be excluded at this point.

TOP 7: OPTION TO DEDUCT UNUTILIZED LOSSES

To support businesses, the government has introduced a new rule for the utilisation of tax losses. Not utilised tax losses reported for the periods **2015 to 2018** may be deducted from the tax base of individuals (entrepreneurs) or legal entities in the tax return the filing deadline of which lapses in the period 01/01/2020 – 31/12/2020. Taxpayers may utilize these tax losses in the maximum amount of **EUR 1 million**.

This measure can be applied by taxpayers but is **not mandatory**. If it is more favourable for taxpayers to utilize tax losses under the standard rules set by the Income Tax Act, they may opt to do so.

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.

ATTENTION: 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.

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 9: ASSIGNING OF % OF PAID TAX

In Slovakia, taxpayers (both individuals and legal entities) have the right to assign 1 to 3 % of their paid tax to a selected non-profit organisation. In response to pandemic, the standard deadline for employees to select the organisation has been extended until the end of the second calendar month after the end of pandemic. Legal entities state the information on the selected organisation in their corporate income tax returns, i.e. the extended tax return filing deadline (end of the calendar month after the end of pandemic) applies also as a deadline for selecting the non-profit organisation.

During the pandemic, rules for the recipients (organisations) have changed, too. They can use the part of the paid tax received for 2018 also to help lessen the negative impacts of the pandemic. The deadlines for using the 1 to 3 % have been extended, too:

- funds received in 2019: until the end of 2021
- funds received in 2020: until the end of 2022

TOP 10: PROTECTION OF LESSEES AND STATE-FUNDED RENT ALLOWANCE

In April, a law was adopted protecting the position of lessees. According to the new rules, lessors/**landlords may not unilaterally terminate rental agreements** until 31/12/2020 if the lessee does not pay the rent for the period 01/04/2020 – 30/06/2020. However, the right of the lessor to collect the unpaid rent remains preserved.

In June, the Parliament adopted rules for **state-funded rent allowances**. The basic principle is that the state will grant rent allowance in the amount in which the lessor grants rent reduction to the lessee. Accordingly, if the lessor does not grant any rent reduction, no allowance is provided by the state and the whole rent amount is to be paid

by the lessee. If the lessor grants a 50 % rent reduction, the state contributes the remaining 50% and the whole rent is covered without the need of the lessee to contribute at all. The maximum amount of the rent allowance is 50 % of the rent. Businesses that own the premises in which they do business will not be eligible for the allowance. For the purposes of this rule, the term “rent” does not include utilities.

Rent allowance may be granted for payment of the rent payable to the lessor under a rental or similar agreement. The main conditions are: (a) the rental agreement was concluded no later than on 01/02/2020, and (b) the use of the rented premises was not possible as a result of the state measures in response to the COVID-19 pandemic (the premises were mandatorily closed or their use was greatly limited).

Applications are filed electronically by lessors on behalf of the lessee. Changes (e.g. rent increases) to rental contracts made after 12/03/2020 are disregarded for the purposes of the allowance amount.

The new rules apply to **non-residential premises** in which the lessee sells goods or provides services, including stands on marketplaces.

The remaining rent can be settled by the lessee during in max. 48 equal monthly payments unless the lessor and the lessee agree otherwise.

TOP 11: SPECIAL ALLOWANCES PAID TO PARENTS WITH SMALL CHILDREN

After all schools and pre-school facilities closed in the middle of March, thousands of parents had to stay home with small children and could not go to work. In response to the new situation, the government has introduced “pandemic sick pay” to be paid out to parents of children up to 10 years + 364 days by the Social Insurance Agency. For older children, a GP’s certificate is required to be eligible. The amount of the pandemic sick pay is 55 % of the net salary of the employee.

Starting 1 June 2020, most schools and pre-school facilities were re-opened (with limited capacities). However, parents who either did not get a place at school or decided not to send their children to school did not lose the right to be paid pandemic sick pay.

USEFUL LINKS

<https://korona.gov.sk/en/>

<https://www.pomahameludom.sk>

<https://www.mhsr.sk/koronavirus/dotacia-na-najomne-uvodna-informacia>

Authors: **Renáta Bláhová, Zuzana Krupčíaková, Eva Kusová**

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35. SLOVENIA (UPDATED 13.07.20)

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.

35.1. 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 deliveries 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.

35.2. Employment and social security measures

On 31.5.2020, the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic" (ZIUOOPE or the 3d package or the Act) came into force in Slovenia. The Act is aimed at mitigating and eliminating consequences of the COVID-19 epidemic. Among others, the following two measures were adopted:

- Partial co-financing of part-time work (new measure applicable from 1.6.2020 to 31.12.2020) and
- Partial reimbursement of the salary for employees staying at home (i.e. extension of the validity of an already existing measure until 30.6.2020 with certain amendments and restrictions).

Measures adopted in course of the second package of anti-COVID-19 legislation expired on 31.5.2020, unless otherwise stipulated by the law.

On 9.7.2020 Slovenia adopted the “Intervention Measures Act in preparation for the second wave of COVID-19” (ZIUOPDV or the 4th package or the Act). With this Act, among others, the following two measures were adopted:

→ An extension of the measure of the partial reimbursement of the salary for employees staying at home for the period 1.7.2020 to 31.7.2020. The Government will be able to additionally extend the measure by a decision, not more than twice for a period of one month, but no longer than 30.9.2020. The conditions and the amount of the refund remain the same as in June 2020.

→ The amount and the payment of the salary compensation to workers due to ordered quarantine is determined. For workers in ordered quarantine, for whom the employer will not be able to organize work at home, the State shall cover the salary compensation under certain conditions. Employers will be able to claim the reimbursement of paid salary compensation for these cases for the period until 30.9.2020. The amount of the salary compensation will depend on the reason for issuing the quarantine orders (due to departure to another country, due to contact with the infected person, ...). The Act also determines cases when an employee will not be entitled to any salary compensation.

- Partial co-financing of part-time work

The measure provides for the possibility of ordering part-time work in such a way that

→ the employer provides the employee with work and full pay for at least 20 hours per week;
→ for the remaining part up to full working time (i.e. 5 to 20 hours per week), an employee is ordered to wait for work at home. For this part, the employee is entitled to a salary compensation of 80 % of his average salary received in last 3 months, like in case of waiting for work at home due to business reasons. Subject to certain conditions and the application at the Employment Service, the employer can claim a partial refund of the paid salary compensation (co-financing) in a fixed amount, which depends on the number of working hours. The co-financing amounts to:

- EUR 448,00 if the employee works from 20 to 24 hours per week,
- EUR 336,00 if he works 25 to 29 hours per week,
- EUR 224,00 if he works 30 to 34 hours a week, and
- EUR 112,00 if he works 35 hours a week.

→ The fixed amount of co-financing is reduced proportionally for the time when the employee is absent from work due to other reasons (e.g. sick leave, annual leave).

The measure shall be granted to employer who, in his estimation, is unable to provide at least 90 % of the work for at least 10 % of his employees. In addition to the above, the employer must meet certain other conditions and is bound by some restrictions.

The measure can only be ordered for a full-time employee, who is not in the employment contract termination procedure and for a maximum period from 1.6. to 31.12.2020.

No later than within three working days from the day of the part-time work order, the employer must notify the Employment Service that he has ordered the employee to work part-time under this Act. No later than eight working days from the day of the part-time work order, the employer must send the written order to the Employment Service. No later than 15 days after the order, the employer must submit a request application to the Employment Service in order to be entitled to co-financing (together with evidence of compliance with the conditions).

Furthermore, a new interpretation of the existing provisions of the ZIUOOPE regarding partial co-financing of part-time work was agreed between the social partners. According to this interpretation the weekly volume of work of a particular employee can be distributed unevenly by a written order in such a way that the weekly working time is equalized during the month for which the employer also claims the subsidy. The written order must specify such

an uneven distribution of working time in such a way that for the reference period of one month it is clear in advance which days the employee has to work and how many hours.

- Partial reimbursement of the salary for employees staying at home

Partial reimbursement of the salary for employees who are staying at home is extended until 31.7.2020 (with the possibility to extend the measure until 30.9.2020). The conditions for claiming salary compensation remain the same: (e.g. estimated revenue decline of more than 10 %). Employers will be entitled to up to 80 % of the salary compensation paid (which includes the refund of compensation and all social security contributions), but not more than the maximum amount of compensation for unemployment, which amounts EUR 892.50 gross. The remaining difference to the salary compensation must be covered by the employer.

The employer cannot dismiss the employee for the period of receiving the salary compensation from the Employment Service.

Employers who are eligible for these measure 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,
- 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.

Employers who want to apply for this measure in July 2020 must:

- issue written orders on waiting for work at home also for July 2020, and
- no later than 8 days after ordering employee to wait for work at home, submit a new electronic application for reimbursement to the Employment Service.

The amount of salary compensation paid to the employee for the time of temporary waiting for work at home remains 80% of the basis referred to in paragraph 7 of Article 137 of the Employment Relationships Act. The prescribed amount of salary compensation applies to all employees who are on temporary waiting for work at home, even if the employer does not claim a refund from the Employment Service for their salary compensation.

35.3. 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 from 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.

35.4. 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

36. SOUTH KOREA (UPDATED 29.07.20)

36.1. 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.

9. Automatic extension for filing and payment of CIT and VAT for businesses located in the “Special Disaster Areas”
 - A one month automatic extension (application for extension not required) has been given for filing and payment of CIT (final tax return filing originally due in March) and VAT (filing for the first quarter of 2020 originally due in April) for businesses located in the “Special Disaster Areas”. Small and medium enterprises located in the “Special Disaster Areas” can also apply for additional tax support (i.e., tax payment extension), in which case the payment of PIT, CIT and/or VAT can be deferred for a maximum of 9 months – 2 years.

10. 2019 PIT payment due date extension
 - For 2019 PIT returns and payments, individual taxpayers are still required to file their PIT returns by the original filing due date of June 1, 2020, but will have until August 31, 2020 to pay PIT (i.e., payment due date extended for 3 months). Further, taxpayers whose business was affected by a sharp decline in sales due to COVID-19 can also apply for a tax filing extension for a maximum of 3 months.

36.2. 2020 proposed tax law amendments

1. The Ministry of Economy and Finance (“MOEF”) announced the proposed tax law amendments (the “Amendments”) on July 22, 2020. Under the proposed Amendments, the scope of investment tax credits offered under the Tax Preferential Control Act (“TPCA”) will be expanded as follows. The following Amendments will apply to taxes reported on or after January 1, 2021.
 - Integration and simplification of the investment tax credit regimes

A new “integrated investment tax credit regime” will be created by integrating and redesigning a number of different tax credit types with different target groups (e.g. offered with respect to investments in specific facilities, offered to small and medium enterprises) and different levels of incentive.
 - Significant expansion of the scope of assets subject to tax support

Currently, the law provides a list of assets to which various types of tax incentives apply (i.e. positive enumeration). Under the proposed Amendments, tax incentives will apply to all types of general tangible business assets and the law will provide a list of exceptions for such tax incentives (i.e. negative enumeration). Certain industries will be excluded from the application of this proposed Amendment, and tax incentives will not be provided to investments made in the Seoul Metropolitan Area (no change from the current law).
 - Higher incentive for increased investment

In addition to the basic tax deduction that is generally offered for investments made in the current period, additional tax deduction will be offered for any increase in the investment amount (within the limit of 200% of the basic tax deduction amount).

 - (i) Basic tax deduction: Amount of investments made during the relevant financial year x Basic deduction rate
 - (ii) Additional tax deduction to be offered under the Amendment: [Amount of investments made during the relevant financial year – Average amount of investments made over the past 3 financial years] x Additional deduction rate

2. As part of the proposed Amendments, the following changes will also be made in order to improve the business environment.

- Extension of the carry-forward period for tax deductions provided under the TPCA

Currently, tax deductions provided under the TPCA can generally be carried forward for a period of 5 years. Under the proposed Amendments, all types of tax deductions provided under the TPCA can be carried forward for a period of 10 years in order to reduce the investment risk of corporate taxpayers. The extended carry-forward period also applies to tax deductions whose original carry-forward period has not yet ended as of the end of 2020 (e.g. the 10 year carry-forward period also applies to a tax deduction that was offered for an investment made in 2015).

- Extension of the carry-forward period for unused foreign tax credits

Under the proposed Amendments, the carry-forward period for unused foreign tax credits will be extended from 5 years to 10 years, and taxpayers will be able to claim a tax deduction for any foreign tax credit that has not been used within the 10 year carry-forward period (i.e. treated as a deductible expense if not used within 10 years). This Amendment also applies to unused foreign tax credits whose original carry-forward period has not yet ended as of the end of 2020.

- Extension of the tax loss carry-forward period

Taxpayers will be able to carry forward its tax losses for a period of 15 years (extended from 10 years under the current carry-forward rules) under the proposed Amendments. The extended carry-forward period applies to tax losses reported from 2021 onwards (i.e. tax losses incurred in or after 2020).

For updated information please contact your Taxand team in South Korea at <http://www.yulchon.com>.

37. SPAIN (UPDATED 12.08.20)

37.1. Tax measures

- **Royal Decree-Law 7/2020: Suspension of payments for SMEs**

Royal Decree-Law n° 7/2020 on urgent measures taken to alleviate the economic effects of Covid-19 was published on March 13th, 2020. The decree introduced 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. Further **Royal Decree-Law 19/2020** (commented below) establishes that time period free of late-payment interest on these deferrals is increased to four months.

- **Royal Decree-Law 8/2020: Tax Measures after the declaration of the State of Alarm**

Royal Decree 463/2020, of March 14th, 2020 declared the State of Alarm and stated that for all court orders under procedural laws, the time limits were suspended and the time periods were interrupted. These time periods would resume when the Royal Decree or any of its extensions cease to be in force.

Also time limits and time periods for handling all the procedures of public sector entities were suspended or interrupted, except for time limits and time periods corresponding to taxes (which are suspended or interrupted by Royal Decree-Law 8/2020 mentioned below).

Further **Royal Decree 537/2020**, of May 22nd 2020, which extended the State of Alarm, states that suspension of procedural time periods will be terminated in the 4th of June; and that from the 1st of June, the administrative time periods which were suspended, will be reinitiated or resumed, depending from the case.

Royal Decree-Law 8/2020 of March 17th, 2020 regulated the following tax related measures:

- **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*).

So, the time periods for filing and paying self-assessments 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 referred in the General Collection Regulations.
- Certain “administrative procedural periods”; among others, 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 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** the expiry dates of the time periods listed above if notified on or after March 18th, 2020. This extension for “administrative procedural periods” 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.

- Calculation of time periods relating to the maximum length of procedures for application of taxes and of statute of limitations period:

The period up to 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. However, as mentioned above, 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 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 before or on April 30th, 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 April 30th, 2020, 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 is established. 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 Alarm (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.

Royal Decree-Law 11/2010 requires this period to run between the entry into force of Royal Decree 463/2020 that declared the State of Alarm (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, Royal Decree-Law 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 Alarm.

- ***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.
 - o 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.
 - o 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 May (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 15/2020](#) has introduced new tax measures:

- o 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 of 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.
- o 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, VAT rates applicable to books, papers and magazines in standard digital format is equated to that of books, papers and magazines 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 16/2020 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.
- 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**

The Royal Decree-Law 17/2020 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. 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, 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.
- **Royal Decree-Law 19/2020: tax measures related to corporate income tax returns and deferrals of tax payments**

- Royal Decree-Law 8/2020 introduced extraordinary measures applicable to legal entities governed by private law and to procedures of the governing bodies of listed *Sociedad Anónima* companies. Among other measures, it suspended the time periods for preparation of the financial statements and as a result postponed the time periods for their approval; in general, new time periods would run from the end of the State of Alarm. Now, Royal Decree-Law 19/2020 states that the three-month period for preparing the financial statements and other documents required by law will start running on June 1, 2020 (not from the end of the State of Alarm). Additionally, the time period for approving financial statements is reduced to two months running from their preparation date.

In view of all of these measures, in the tax field the **rules on filing corporate income tax returns for fiscal years that commenced in 2019** are amended, where taxpayers’ periods for preparation and approval of their financial statements for the fiscal year have been adjusted to the previous provisions. More specifically:

- In the regular filing period (25 calendar days running from six months after the end of the tax period) a “first self-assessment” must be filed. If by the end of that time period the financial statements have not been approved, this first self-assessment must be based on available financial statements, which are defined as follows:
 - For listed companies (*sociedades anónimas*), annual financial reports to be filed to the CNMV and auditor’s reports on their financial statements.
 - For other taxpayers: (i) Their audited financial statements, (ii) otherwise, the financial statements prepared by the relevant body; and (iii) in the absence of either of these, the available accounting records kept as a required in the Commercial Code or in the rules governing them.
- If the relevant self-assessment based on the approved financial statements differs from that filed in the time period mentioned above, a new self-assessment must be filed (the “second self-assessment”) before and including November 30, 2020. In relation to this second self-assessment, it is provided that:
 - If it shows a greater tax underpayment or a lower tax overpayment, it will be treated as a supplementary return and give rise to late-payment interest though not to surcharges for late filing without a previous request.
 - If the return shows a tax overpayment, the general refund regime under the tax rules of Corporate Income Tax Law will be applicable, but the six-month period for refunding the overpaid amount without triggering late-payment interest will run from November 30, 2020. However, if the return shows a tax overpayment resulting from a payment that was effective on the first return, late-payment interest will accrue from the day following the end of the general voluntary filing period.

- Filed self-assessments may be verified and audited by the tax authorities; and second self-assessments that do not show a greater tax underpayment or lower tax overpayment than the first self-assessments do not have a precluding effect.
- **New stamp tax exemption:** A new stamp tax exemption is introduced for deeds recording the moratorium arrangements under previous Royal Decree-Laws.
- **Later publication of the list of delinquent payers:** The General Taxation Law requires the tax authorities to order periodical publication of the lists of delinquent payers in respect of tax debts and penalties where they are greater than €1,000,000 and have not been paid after the end of the voluntary payment period (excluding any that were deferred or suspended). Satisfaction of the requirements for including a tax debt or penalty will be determined as of December 31 of the year before the publication order. The General Taxation Law states that the publication date will be determined by ministerial order, which has to occur, in all cases, in the first six months of each year. Now it is provided that the publication arising from satisfaction as of December 31, 2019 of the requirements to be included on the list will occur, in all cases, before October 1, 2020.
- **Royal Decree-Law 22/2020: telematic tax inspections**
[Royal Decree-Law 22/2020](#) has amended the General Tax Law to introduce the possibility that administration's activities within tax application procedures may be dealt with the taxpayers through telematic means, provided that the taxpayer accepts the use of these systems, and the date and hour in which the meetings are to be held.
- **Royal Decree-Law 23/2020: Increase of tax credit for innovation and unrestricted depreciation for certain assets in the automotive industry**
[Royal Decree-Law 23/2020](#) has introduced new features in the area of corporate income tax:
 - With effect for tax periods commencing in 2020 and 2021, the rate of the tax credit for technological innovation activities goes from 12% to 25% for expenses in technical innovation activities resulting in a technological advancement in obtaining new production processes in the automotive industry's value chain, or substantial improvements in pre-existing ones. To claim this tax credit, the taxpayer must obtain a reasoned report.
 - Taxpayers may take unrestricted depreciation on investments made in 2020 in new tangible fixed assets (except for real estate) that entail the sensorization and monitoring of the production chain, as well as the implementation of manufacturing systems based on modular platforms or that reduce the environmental impact, used in the automotive industry. The maximum amount of the investment that may qualify for this unrestricted depreciation regime will be €500,000. This regime is subject to the maintenance of average headcount (as compared to the one held in 2019) during 24 months and to the issuance of a report by the Ministry of Industry, Trade and Tourism classifying the investment as eligible; although the regime may be provisionally applied if the report is not issued before the filing of the corporate income tax return. In case the investment is ultimately considered non-eligible or the obligation to maintain the headcount is breached, the corresponding tax must be paid over plus delay interests.
- **VAT and custom duties exemption: Notes of the Customs Department and Royal Decree-Laws 15/2020 and 27/2020**
 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, (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 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 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.

Finally, Royal Decree-Law 27/2020 has extended that temporary measure up to the 31st of October of 2020 and updates (with effect as from the 23rd of April of 2020) the relation of sanitary products to which the 0% VAT rate applies.

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 have 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).

The 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 these months. 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>

38. SWEDEN (UPDATED 27.05.20)

The Swedish government has announced the implementation of legislative reforms to protect businesses from the effects of the Covid-19 virus¹⁹.

38.1. 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.

38.2. 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/>.

For May, June and July 2020, it will be possible to get support for reduction of working hours with 80%.

¹⁹ Ministry of Finance press release of March 16th, 2020, "Crisis package for Swedish businesses and jobs".

In order to be eligible for the support, the company must be in dire circumstances due to the Covid-19. All other means to avoid redundancies must have been taken. Distribution of dividends after 16 March 2020 will explicitly disqualify for the support. The competent authority, "Tillväxtverket" has recently announced that group contributions distributed after 16 March 2020 might also disqualify for the support.

- 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.

38.3. 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/>

39. SWITZERLAND (UPDATED 29.07.20)

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. Beginning of May 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.

39.1. 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, Vaud, 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.

- **Incentive tax on volatile organic compounds (VOC):**

Due to the Covid-19 pandemic, the demand for disinfectants has increased significantly. In order to be able to increase the supply quickly and at lower costs, surface disinfectants are to be exempted from the VOC steering tax retroactively from February 28, to August 31, 2020. This will put them on an equal footing with hand disinfectants.

Automatic deadline extension for tax returns

Various cantons have set automatic deadline extensions for tax returns. In many cantons the deadline expired at the end of May or June especially the deadline for individuals. In the following cantons the deadline is still running:

- ***For individuals***
 - Aargau: deadline extension for self-employed persons until September 30, 2020
 - Bern: deadline extension until September 15, 2020
 - Basel-Land: deadline extension for self-employed persons until September 30, 2020
 - Jura: deadline extension until July 31, 2020
 - Lucerne: deadline extension; for employees with tax representative and self-employed persons until August 31, 2020
 - Solothurn: deadline extension until July 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
 - 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

Availability of tax authorities

- ***Federal Tax Administration***

The Federal Tax Administration continues its operations. It refers to the Q&A catalogue on her website regarding the important questions related to the coronavirus.

- ***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.

The Federal Council wants to completely digitalise tax procedures

The Federal Council wants to abolish the obligation to sign the electronically submitted tax returns. It also wants to be able to introduce an obligation to submit documents electronically in certain tax areas. The Federal Council adopted the dispatch on this issue at its meeting on May 20, 2020.

Cross-border commuters

- **Switzerland – France**

The state of Secretariat for International Financial Matters (SIF) reported the conclusion of a new consultation agreement between Switzerland and France on the taxation of cross-border commuters for home office work. This shows in particular that the days on which cross-border commuters benefiting from the agreement have to stay in their place of residence because of measures to combat COVID-19 are not considered in the 45 non-return days. It is accepted that days worked in the State of residence, at home and for an employer domiciled in the other Contracting State as a result of measures to combat the spread of COVID-19 shall be regarded as working days in the State in which the person would have pursued his employment if there had been no such measures. The provisions entered into force with effect from March 14, 2020 and apply until August 31, 2020.

- **Switzerland – Germany**

On June 11, 2020 the State Secretariat for International Financial Matters concluded a new consultation agreement between Switzerland and Germany on the taxation of cross-border commuters and the treatment of state support services.

The consultation agreement explains in particular how the working days are to be calculated if a cross-border worker has not been able to return to his or her State of residence as a result of the Covid-19 pandemic. The return to the place of residence on each working day is assumed.

It's further agreed that the short-time work compensation paid in Switzerland as well as similar compensation which is reimbursed by the Swiss government either directly or through the employer as a result of the measures taken to combat the Covid-19 pandemic are to be qualified as compensation for employment within the meaning of Articles 15 and 15a of the Agreement and are taxed only by Switzerland. This agreement also applies until August 31, 2020.

- **Switzerland – Italy**

On June 20, 2020 the State Secretariat for International Financial Matters (SIF) reported the conclusion of a new memorandum of understanding between Switzerland and Italy concerning Covid-19 measures. The provisions of the Memorandum of Understanding shall apply from February 24, 2020 until June 30, 2020 inclusive and may be tacitly extended from month to month from that date. It's known that this was extended until August 31, 2020.

Exceptionally and provisionally, it is recognised that, for the purposes of applying Article 15, paragraphs 1 and 4, of the Convention and Article 1 of the Convention of 3 October 1974, days worked in the State of residence, at home and for the account of an employer resident in the other Contracting State as a result of measures to combat the spread of COVID-19 shall be regarded as working days in the State in which the person would have worked in the absence of such measures and would have received wages, salaries and other similar remuneration ("income") in return.

1.2. Economic measures

Measures at federal level

The Federal Council intends to propose to parliament the enactment of an urgent and temporary federal law for the emergency measures that are still necessary to deal with the COVID-19 pandemic. It is the Covid 19 act.

The proposal is intended to provide legal support for the existing package of measures adopted by the Federal Council through a parliamentary resolution. At its meeting on June 19, 2020, the Federal Council opened the consultation procedure. It lasted until July 10, 2020. In order to give the Parliament the opportunity to discuss, pass and urgently bring the law into force in the autumn session, the dispatch is to be adopted by the Federal Council as early as August 12, 2020.

- ***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 applied 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. The emergency decree on Covid 19 loans is to be transferred into ordinary law.

- ***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 May 7, up to August 31, 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:
 - o staff in fixed-term employment and for people working for a temporary placement organization;
 - o people in apprenticeships; and
 - o 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.

On July 1, 2020, the Federal Council extended the maximum period for which short-time working compensation can be paid from twelve to eighteen months. A waiting period of one day also applies. This amendment to the ordinance comes into force on September 1, 2020 and is valid until December 31, 2021.

- ***Compensation for income loss of self-employed people and employees***

The Corona employment compensation for parents who worked and had to look after their children during school closure, for people in quarantine and for self-employed persons is regulated in the “Covid 19 Regulation on Loss of Earnings”. The ordinance is valid for six months until September 16, 2020. After that date the Federal Council has stipulated that no new demands based on this ordinance can be asserted. Applications for benefits must therefore be submitted by September 16, 2020.

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 was generally limited until May 16, 2020. The entitlement of self-employed persons directly or indirectly affected by measures against the corona virus is extended until September 16, 2020. Persons employed by their own company in the event sector who find themselves in a hardship situation can now also claim corona purchase compensation. In doing so, it is taking account of the fact that many companies are not yet able to commence their activities, or not yet fully, even though the measures against the corona pandemic have been completely or partially lifted.

- ***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.

- ***Business rents: Distribution of interest between tenant and landlord***

On July 1, 2020 the Federal Council sent the corresponding bill to the consultation procedure. For the period of the ordered closure or restriction of activity, tenants are to pay 40 percent of the rent, while landlords are to pay 60 percent. The consultation period lasts until August 4, 2020.

- ***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 Federal Council has released a provisional ordinance on May 20, 2020 regarding the proximity tracing app . It allows to use the Swiss Corona App as from June 25, 2020.

- ***Federal Government covers costs for tests***

In order to be able to react quickly to a renewed increase in the number of cases, as much testing as possible and reasonable should be carried out. The Federal Government will therefore assume all costs for the corona tests. This was decided by the Federal Council in its meeting on June 24, 2020.

- ***Easing of border traffic***

At its meeting on June 12, 2020, the Federal Council took note of the decision of the Federal Department of Justice and Police (FDJP) to lift the current entry restrictions – as announced a week ago – with respect to all Schengen states as of June 15, 2020. Border controls at Switzerland's borders with these states will be lifted on this date and full freedom of movement will once again apply with all EU/EFTA states and the United Kingdom. In a further step, the Federal Council is now completely lifting the corona-related restrictions on the admission of

workers from third countries as of July 6, 2020. However, third-country nationals will not yet be able to travel to Switzerland for holidays. Entry for permit-free stays of less than 90 days will continue to be granted only in cases of extreme necessity. On July 1, 2020 the Federal council announced that quarantine measures would come into force for returnees from certain countries. The quarantine list is continuously updated.

- **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.

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/>

40. UNITED KINGDOM *(UPDATED 04.06.20)*

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.

40.1. 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).

Please note that Bad debt relief claims cannot be made if you have deferred VAT payments.

- **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. Where companies have availed of the Coronavirus Job Retention Scheme (see below) and deferred payroll taxes in the periods prior to June 2020, HMRC expect the deferred payroll taxes to be paid during the month of June 2020 as a general rule.

- **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. Consider approaching HMRC for repayment of installments where amounts have been paid in excess of the liability for the year.
- Prioritise claims for repayment of tax wherever possible and applicable.

40.2. 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 has been 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.

Under the original scheme, 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 said that the scheme will be extended until the end of October. From 1 July 2020 companies will be able to bring furloughed employees back part time. From August 2020 the scheme will start to wind down. The scheme will close to new entrants from 30 June, and this means that the final date by which an employer can furlough an employee for the first time will be 10 June, in order for the current 3 week furlough period to be completed by 30 June. Further guidance will be provided on 12 June 2020. Payments will vary as shown below.

For June and July: The government will pay 80% of wages up to a cap of £2,500 as well as employer National Insurance (ER NICs) and pension contributions. Employers are not required to pay anything.

August: The government will pay 80% of wages up to a cap of £2,500. Employers will pay ER NICs and pension contributions.

September: The government will pay 70% of wages up to a cap of £2,187.50. Employers will pay ER NICs and pension contributions and 10% of wages to make up 80% total up to a cap of £2,500.

October: The government will pay 60% of wages up to a cap of £1,875. Employers will pay ER NICs and pension contributions and 20% of wages to make up 80% total up to a cap of £2,500.

• **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.

The government further announced on 29 May that a second and final taxable grant will be provided in August 2020. This second grant means individuals will be able to claim an amount, worth 70% of their average monthly trading profits, paid out in a single instalment and covering three months' worth of profits. This will be capped at £6,570 in total.

40.3. 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 4 June 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. The statutory accounts filing deadline will not mean that companies get an extension to their corporation tax filing deadline. However, HMRC has issued guidance saying that late filing of a tax return for COVID-19 related reasons may be a reasonable excuse.

- **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>

41. UNITED STATES (UPDATED 02.07.20)

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).

41.1. 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).

41.2. 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.

41.3. 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.

- June 30 was the final deadline for applicants to request a PPP loan. However, the U.S. Senate passed an extension to the program on the night of June 30 that would give borrowers until August 8 to apply. The extension still needs to be approved by the House and signed by the President.
- There are approximately \$130 billion unused funds from the PPP remaining. The Small Business Committee is contemplating a new rescue package for small business that will use these “leftover funds.” The proposal aims to provide a long-term recovery loan that will include deferring paybacks of the portion of the loan that exceeds payroll for 20 years with a 2% interest rate.
- **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.

41.4. 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/>

42. VENEZUELA (UPDATED 12.08.20)

Decree No. 4,247 declaring a State of Alarm for 30 new more days:

Following the State of Alarm initially decreed in Venezuela on March 13, 2020, on July 10, 2020, in Official Gazette No. 6,554 Extraordinary, Decree No. 4,247 was published, through which the State of Alarm was decreed for 30 new more days to attend to the Coronavirus Health Emergency (COVID-19).

42.1. Tax measures

Ruling 78 of the Supreme Court of Justice suspends for 90 days the application of any tax or contribution created in the states and municipalities:

By Ruling No. 78 of the Constitutional Chamber of the Venezuelan Supreme Court of Justice (TSJ), dated July 7, 2020, the application of any regulatory instrument issued by municipal councils and state legislative councils that establish any type of tax rate or contribution, as well as any decree or administrative act of general effect issued for the same purpose, by mayors or governors, was suspended for a period of ninety (90) days.

Administrative Ruling No. 015,049 which extends the term for the payment and declaration of the contribution established in the Organic Law on Science, Technology and Innovation (LOCTI, by its Spanish acronym):

Through Administrative Ruling No. 015,049 of the Venezuelan National Fund for Science, Technology and Innovation (FONACIT), published in the Official Gazette No. 41,911 of June 30, 2020, the liquidation, payment and declaration of the contribution corresponding to fiscal year 2019 is extended until August 31, 2020.

Presidential Decree No. 4,241 extends the exemption from payment of taxes and import duties for certain goods:

Presidential Decree No. 4,241 was published in Official Gazette No. 41,911 dated June 30, 2020, extending until December 31, 2020 the exemption from payment of Value Added Tax, Import Tax and Tax on Determination of the Customs Regime, on the importation of certain goods, under the terms and conditions set in Decree No. 4,080 dated December 26, 2019.

42.2. Social measures

Decree No. 2020-0100 establishes single days for the purchase of food and essential goods:

Through Decree No. 2020-0100, dated July 27, 2020, the purchase of food and essential goods is established according to the last identification card number of the person, for a period of 30 continuous days, starting from July 29, 2020. Only medicines are exempted from this measure.

Resolution No. 005-2020 of the Supreme Court of Justice (TSJ) extends the suspension of days of service

In Resolution No. 005-2020 dated July 12, 2020, the Plenary Chamber of the Venezuelan Supreme Court of Justice (TSJ) extended again for 30 continuous days the suspension of the days of dispatch, no Venezuelan Court

will be dispatching from July 12 to August 12, 2020, both dates included. During that period, the cases will remain suspended and the procedural periods will not run. Some exceptions apply.

Through NOTAM C0667/20, the restriction on air operations is further extended until 12 August 2020

On July 12, 2020, the National Institute of Civil Aviation (INAC, by its acronym in Spanish), through NOTAM C0667/20, extended again the restriction of air operations in the territory of the Republic of Venezuela until August 12, 2020. Emergency operations, cargo and mail flights and landings, technical landings, humanitarian flights, repatriation flights or flights authorized by the United Nations (UN) and cargo and commercial overflights will be allowed.

For updated information please contact your Taxand team in the Venezuela at www.taxand-ve.com