



**OVERVIEW OF
INTERNATIONAL TAX
MEASURES IN
RESPONSE TO COVID-19
& FUTURE
DEVELOPMENTS**

MAY 2021

Your global tax partner

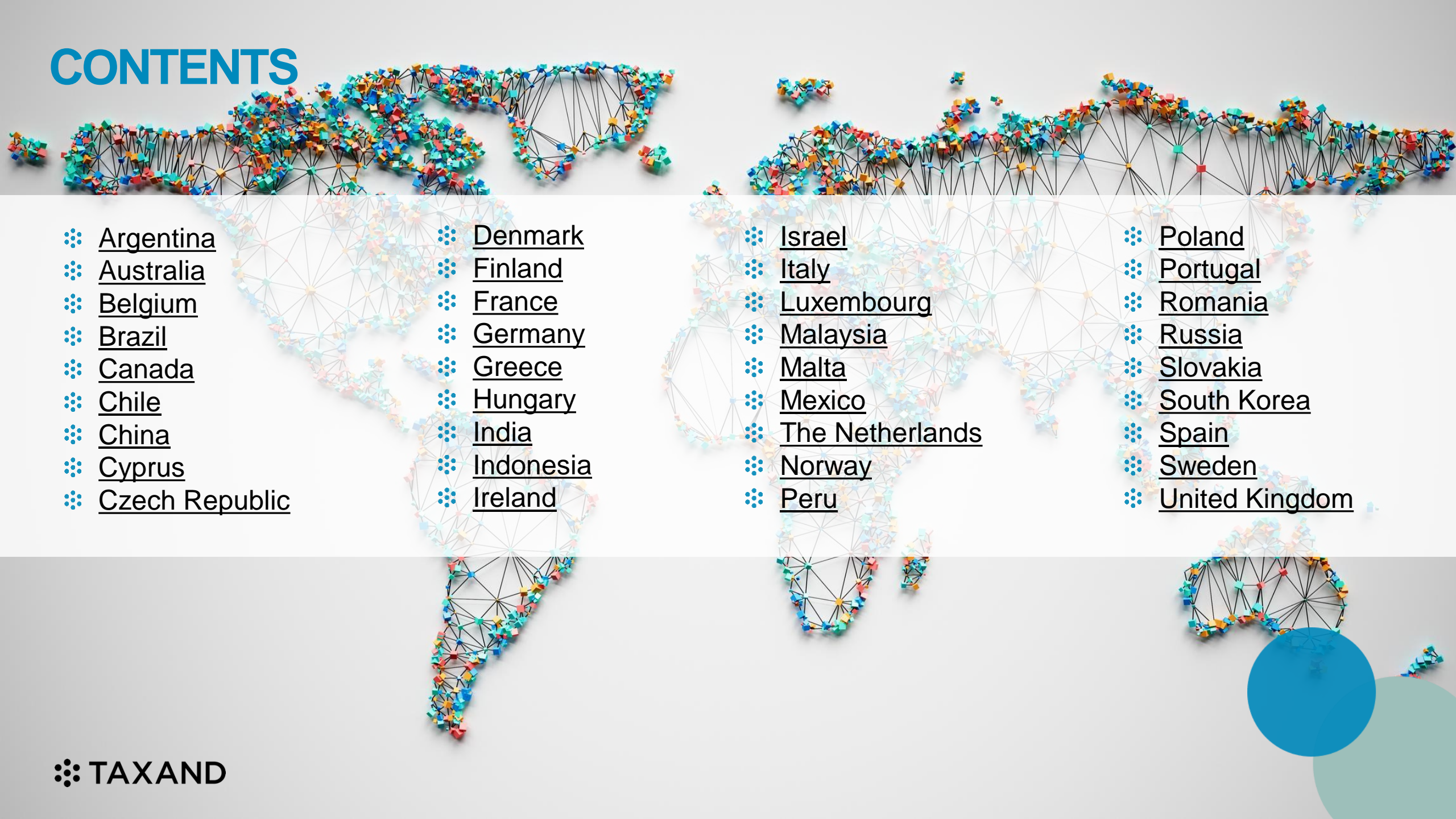
INTRODUCTION

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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OVERVIEW OF PUBLISHED COVID-19 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 carrying out specific activities in the healthcare sector. The general rate was reduced from 0.6% to 0,25%. The reduction was in force until 31 December 2020.

❖ Extension of deadlines for administrative proceedings

We flag for awareness that the Federal Government enacted a Decree that suspended the course of terms for all administrative proceedings until 29 November 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 30 April 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 held abroad were extended until 6 May 2020.

Before the pandemic, the repatriation needed to occur before 31 March. This particular advance payment for assets held abroad, for the tax period 2019, was due to 1 April 2020. The normal rates go from 0.5% to 1.5% (depending on the wealth of the taxpayer). The aggravated rates for assets held abroad go from 0.7% to 2.25%.

❖ Special regime of payment

The Federal Government and AFIP established a new special regime of payment (moratorium) with benefits in instalments and advance payments applicable to different taxpayers related to obligations which expired on 31 July 2020. This regime was originally designed for micro, small and medium size companies, but was later expanded to other types of taxpayers. This moratorium generated an advantage for companies that have to meet tax obligations during the crisis in terms of managing cashflow. Other taxpayers included are large size companies and individuals, as long as they comply with certain conditions. Taxpayers could apply to the new regime until 15 December 2020.

<https://www.taxand.com/wp-content/uploads/2020/10/Medidas-anunciadas-19-10-vf.pdf>



ARGENTINA

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extension of deadlines and specific payment facilities in Income Tax (“IT”)

AFIP extended the deadline for filing IT tax returns and payments corresponding to the tax period 2019 for corporations (with year end 31 December 2019) until 26 and 27 May 2020, these would usually have been due during the second week of May. The exact date of the 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 was in operation until 20 June 2020. The deadline for the presentation of balance sheets and documentation for corporations with year end at November 2019 has been extended until 30 June. 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 31 December 2018 and 30 September 2019, both inclusively, has been delayed to the period between 18 and 22 May 2020. Such organism has also extended the deadline for the presentation of communications in relation to the benefits offered by the free-of-tax reorganisation 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 the tax period April 2020 until 20, 21 and 22 May 2020 (the 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 18, 19 and 20 May 2020. The exact date of the deadline depends on the tax identification number of the taxpayer. Employers of the healthcare sector are exempted from paying social security contributions for healthcare related professionals and employees until 31 March 2021.

❖ Suspension of tax claim proceedings

AFIP-suspended the initiation of tax claim proceedings until 31 December 2020. AFIP has announced a new suspension until 28 February 2021.

❖ Extension of deadlines for tax return filing of information regimes related to Trusts located in Argentina and abroad

AFIP extended the deadlines to file tax returns related to information regimes that apply to Trusts located in Argentina and abroad until the last days of October (the exact date depends on the Tax Identification number of the taxpayer).

❖ New tax on “big fortunes”

The Legislative Power has recently passed a bill to impose a one-time tax on “big fortunes” in Argentina (regulation still pending). The tax rates go from 2% to 3.5% on assets. On assets held abroad, the tax rates go from 3% to 5.25%. The higher tax rates can be avoided if the taxpayer repatriates a minimum amount of assets.



ARGENTINA

FUTURE MEASURES

⌘ Economic reactivation plan

The Federal Government announced an economic reactivation plan based on seven principal points: jobs and consumption recovery, public and private construction, investment and exportation promotion, productive financing, knowledge economy and technological development, environmentally friendly growth and federal development.

Among the main measures announced, we highlight:

- Extended payments to manage tax debts and better conditions for payment in respect of tax and social security debts; Economic aid and incentives to the tourism industry;
- Loans for housing construction;
- Energetic, transport, housing and education infrastructure investments;
- Lower taxes for exports; and
- New credits and loans for medium and small businesses.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

To date, the Australian Federal Government had announced A\$289 billion in economic measures, representing 14.6% of annual GDP, specifically aimed at assisting businesses and households during the COVID-19 pandemic, including the flagship “JobKeeper” temporary wage subsidy and the following tax measures.

❖ Enhancing Instant Asset Write-Offs

The threshold for the existing instant asset write-off was increased and access was allowed for a broader range of businesses. Eligible entities with an aggregated turnover of less than A\$500 million can apply the instant write-off provisions for assets valued at less than A\$150,000 which are first used, or installed ready for use between 12 March 2020 and 30 June 2021, and purchased by 31 December 2020. There had been lower thresholds before 12 March 2020.

❖ Accelerated Asset Depreciation

Accelerated asset depreciation deductions were introduced so businesses with an aggregated turnover of less than A\$500 million can depreciate a new asset that is first used, or installed ready for use, for a taxable purpose between 12 March 2020 and 30 June 2021, by an additional 50% of its cost in that income year. The accelerated depreciation can be claimed in addition to the usual depreciation that would otherwise apply but calculated as if the cost of the asset is reduced by 50%. Some assets, including assets that are eligible for the instant asset write-off (discussed above) or temporary full expensing (discussed below), are excluded from this measure.

❖ Australian Taxation Office (ATO) administrative concessions

The ATO 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. The concessions included:

- 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 where an insolvency event is imminent, the taxpayer cannot access other sources of funding and the deferral would enable the taxpayer to remain 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;
- 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;
- allowing businesses to enter into low interest payment plans to assist with existing and ongoing tax liabilities; and
- relief for foreign countries impacted by travel restrictions relating to COVID-19.

❖ 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.

<https://corrs.com.au/insights/history-repeating-tax-challenges-and-opportunities-in-the-covid-19-environment>

<https://treasury.gov.au/coronavirus/businesses>

<https://www.ato.gov.au/General/COVID-19/Support-for-businesses-and-employers>

<https://budget.gov.au/index.htm>



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

As part of the Federal Government's Economic Recovery Plan, the Federal Budget delivered on 6 October 2020 included the following new personal and business tax measures.

❖ Corporate tax residency

There will be a change to the Australian tax residency test for foreign incorporated companies, to return to the position before the ATO decided to change long-standing practice in 2017 as a result of High Court decision. Such companies will be Australian tax resident only if they have a "significant economic connection to Australia", where both the company's core commercial activities are undertaken in Australia and its central management and control is in Australia. Companies will be able to apply this measure as from 15 March 2017. These changes will be particularly relevant in the current and post-COVID environments, considering the way in which many companies are likely to change the way that they conduct their business.

❖ Temporary tax loss carry back

Companies with an aggregated turnover up to A\$5 billion will be allowed to offset tax losses against previous profits on which tax has been paid to generate a refund. Losses incurred in 2019/20, 2020/21 and/or 2021/22 (i.e. those incurred since the onset of COVID-19) can be carried back against profits made in or after 2018/19. Subject to some limitations, eligible companies may elect to receive a tax refund when they lodge their 2020/21 and 2021/22 tax returns. Losses that are not carried back may still be carried forward under existing rules.

❖ Temporary full expensing of capital assets for most businesses

From 6 October 2020 until 30 June 2022, businesses with an aggregated turnover up to A\$5 billion will be able to deduct the full cost of eligible depreciable assets of any value in the year in which they are first used or installed ready for use.

- The cost of improvements to existing eligible depreciable assets during this period are also immediately deductible.
- This measure effectively supersedes the existing instant asset write-off measures (discussed above), but those measures will have residual application in certain situations.
- Full expensing will apply to the first year of use, rather than the year of purchase. Accordingly, it will be important to be able to substantiate when capital assets are used, or installed ready for use, for a taxable purpose.



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

❖ Research & Development (“R&D”) tax incentive changes

The R&D tax offset measures in an existing Bill will be deferred to income years starting on or after 1 July 2021 and will be subject to a number of changes including the following changes to the refundable tax offset:

- For smaller claimants (aggregated annual turnover less than A\$20 million), the refundable tax offset will be 18.5% above the company tax rate (increased from 13.5% in the Bill), with no cap on cash refunds (as originally proposed in the Bill).
- The larger claimants (aggregated annual turnover A\$20 million or more), the offset will be tied to the company's incremental R&D intensity (notional deductions/total expenses), under a streamlined two-tiered intensity test.

❖ Extension of small business tax concessions to medium sized businesses

Various tax concessions for small businesses (aggregated annual turnover less than A\$10 million) will be made available to medium sized businesses (aggregated annual turnover of A\$10 million or more but less than A\$50 million) including immediate deductions for certain expenditure, certain fringe benefits tax (“FBT”) exemptions etc). The effective dates for these measures vary.

❖ Personal taxation

Personal income tax cuts that were previously legislated to commence from 1 July 2022 were brought forward to 1 July 2020. The key tax bracket changes announced were lifting the 19% rate ceiling from A\$37,000 to A\$45,000 and the 32.5% rate ceiling from A\$90,000 to A\$120,000. This table reflects the new scale for Australian residents from 1 July 2020 (excluding the Medicare levy of 2%). Employers were required to update their payroll processes to reflect these tax cuts by 16 November 2020.

| Taxable income | Tax on this income |
|--------------------------|--|
| A\$0 to A\$18,200 | Nil |
| A\$18,201 to A\$45,000 | 19c for each A\$1 over \$18,200 |
| A\$45,001 to A\$120,000 | A\$5,092 plus 32.5c for each A\$1 over A\$45,000 |
| A\$120,001 to A\$180,000 | A\$29,467 plus 37c for each A\$1 over A\$120,000 |
| A\$180,001 and over | A\$51,667 plus 45c for each A\$1 over A\$180,000 |

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AUSTRALIA

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BELGIUM

OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Belgian measures can be separated into (i) those which were introduced very quickly after the emergence of the pandemic in March 2020 (and some of them again after the start of a second and a third lockdown), most of them focussing on a short-term relief, and (ii) those adopted within the context of an “exit strategy” from the pandemic which are more focussed on the long-term.

Whilst certain of the short-term measures may now have elapsed, the information may remain relevant, for example in cases of a tax audit, due diligence etc. Furthermore, some measures have been reintroduced after the second and third lockdown were announced by the Belgian authorities respectively at the beginning of November 2020 and at the end of March 2021.

SHORT TERM MEASURES

- ❖ An **automatic payment relief** was granted for different taxes, e.g. the payment term for federal income taxes, assessed as of 12 March 2020, was extended by two months; no “Brussels city tax” on tourist accommodations was due during 2020; the payment term concerning the immovable property tax in the Brussels region for tax assessment year 2020 runs up to four months instead of two; the Flemish region grants payment deferral facilities relating to the immovable property tax to legal entities and individuals exercising a professional activity in the concerned immovable property.
- ❖ A **federal payment relief upon request** has been introduced for enterprises affected by the consequences of the coronavirus. This may include e.g. a further deferral of payment. Requests can be filed until 30 June 2021.
- ❖ A **suspension of the recovery of fiscal liabilities** (and certain non-fiscal liabilities) accumulated as of 1 January 2020 (so called “corona liabilities”) was announced by the tax authorities in favour of certain enterprises until 30 June 2021.
- ❖ An **income tax exemption** has been introduced for premiums granted by the regional and local authorities in the context of the pandemic as of 15 March 2020 until 31 December 2021.
- ❖ A Circular Letter of 23 March 2020 acknowledges the coronavirus to be a specific circumstance justifying the **deductibility of write-downs of trade receivables** (subject to conditions).
- ❖ The rates indicating the advantage that can be obtained through **advance tax payments** have been increased for the payments made for the third and fourth quarter of 2020. This should make the increase of taxes due following the postponement of the advance tax payments for the first and second quarter less disadvantageous.

USEFUL LINKS

Federal Ministry of Finance's website: [click here](#)

Federal Social security authorities' website: [click here](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

SHORT TERM MEASURES (continued)

- ❖ The **administrative tolerance** included in a Circular Letter of 5 May 2020 confirms that specific payment facilities related to the coronavirus and granted until 31 December 2020 do not constitute an essential modification which could lead to the application of the **EBITDA-interest deduction limitation rule** (subject to conditions)
- ❖ A Circular Letter of 26 February 2021 allows the grant of a monthly **home working allowance**, limited to €144,31 for the period between 1 April 2021 and 30 June 2021, to employees, free of tax and social security contributions (subject to conditions).
- ❖ **Frontier workers regimes will** remain unaffected following the agreements entered into by the Belgian government with French, Dutch, German and Luxembourg governments. The agreements are currently in force until 30 June 2021.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

EXIT STRATEGY TAX MEASURES – LONG TERM

A Federal plan related to social and economic protection has led to different “exit strategy” tax measures. They can be found in different acts: Corona (I) of 29 May 2020, Corona (II) of 23 June 2020, Corona (III) of 15 July, Corona (IV) of 20 December 2020, Corona (V) of 2 April 2021 and other more specific acts.

The list below emphasises the most important measures introduced in this respect.

- ❖ **Corona (I)** includes among others measures relating to a VAT and income tax regime of donations of medical supplies to listed healthcare institutions.
- ❖ **Corona (II)** includes a **carry-back mechanism for tax losses** limiting tax cashflows for impacted enterprises. Taxable profits, generated during the previous taxable period (in principle FY2019, can be offset against the losses that are expected to occur during the current taxable period (in principle FY2020) for an amount up to €20 million (subject to conditions).
- ❖ **Corona (III), Corona (IV) and Corona (V)** includes among others (i) a reduction of 50% of professional withholding tax under certain conditions; (ii) a tax-free consumption check; (iii) an elevated deduction of reception costs, (iv) an increased investment deduction for investments made between 12 March and 31 December 2022 and (v) a tax shelter regime until 31 August 2021 which allows for a tax credit when investing a certain amount in SME's which have been impacted by the pandemic.
- ❖ **Corona (V)** provides the definitive **abolishment of the advance payment of VAT for December**. As a consequence, a limited payment relief applies as the VAT will eventually be due no later than 20 January. (The advance payment of the salary withholding tax for December has also been abolished definitively).
- ❖ **Corona (V)** also provides a tax relief/tax credit for individuals/companies renting buildings to enterprises but who have waived for at least 40% of the rent for the months March, April and May 2021 (subject to conditions). The tax relief/tax credit amounts 30% of the rent waived however the calculation base is in any case limited to €5.000 per month per agreement and in any case limited to €45.000 for all agreements considered together.
- ❖ The act of 19 November 2020 implemented a so called “**reconstruction-reserve**” has entered into force as of 11 December 2020. In general, such reserve enables companies, which are loss-making in FY2020, to postpone taxation of taxable profits for the next three years as long as these profits are recorded as an unavailable reserve (subject to conditions). The amount of the reconstruction reserve would be limited to the losses of FY2020 and could in any event not exceed €20 million.
- ❖ The act of 20 December 2020 temporarily extended the scope of application of the existing reduced VAT rate of 6% for residential demolition and reconstruction to stimulate the real estate and construction sector. From 1 January 2021 until 31 December 2022, this rate will be applicable for the entire Belgian territory and also on the long-term rental of the reconstructed building in the context of social housing and on the sale of the reconstructed building (subject to conditions).
- ❖ Another more specific “exit-strategy” measure is adopted through the Royal Decree of 27 April 2021 which has temporarily set the **VAT rate for restaurant and catering services** at 6% instead of 12% as of 8 May 2021 until 30 September 2021.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Federal ministries of Health and Economy 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 them legal basis to deal with the economic and social crisis.

Whilst a number of measures were introduced and have since expired, we do reference such key measures still in the text below for information, potential audit or review purposes. We note the following main measures:

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

Authorises the suspension, for up to 90 days, of processes related to the recovery of debts owed to public entities, including the establishment of new collection procedures and the termination, by public entities, of debt instalments that have been negotiated with taxpayers. This measure expired on 30 September 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) were suspended until 31 August 2020.

❖ **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 paid in March, April and May) was postponed. The amount of payment postponed must be collected in six instalments, on the seventh day of each month, from July until December 2020.

❖ **Postponement of payment of federal taxes due by small companies under the “Simples Nacional” programme**

The payment of Federal taxes due in April, May and June by small and medium sized companies was postponed for a six month period until October, November and December 2020. The payment of taxes due at State and Municipal levels (ICMS and ISS, respectively), due in April, May and June, were also postponed for three months until July, August and September 2020. A new law has authorised the extinction of tax credits accrued under the Simples Regime based on the conclusion of a dispute settlement transaction. The time frame for characterisation under the Simples Regime was also postponed.

❖ **Postponement of the filling date of Federal tax ancillary obligations**

The Brazilian Revenue Service issued Normative Instructions that extended the deadline for filling certain Federal tax ancillary obligations (EFD-Contribuições – up to the tenth working day of July 2020, DCTF – up to the fifteenth working day of July 2020).

Brazilian Revenue Service site about COVID-19:
<https://receita.economia.gov.br/covid-19/perguntas-x-respostas-medidas-covid19-com-indice-22-de-maio.pdf>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Reduction of social contribution rates

Reduction of approximately 50% of the “Sistema S” social contribution rates for a 3 month period. These contributions are levied on the companies’ revenues and are destined to certain private entities that are engaged in social development works. Some rates were reduced from 1.5% to 0.75%, others from 1% to 0.5%, and from 0.2%, 0.25% and 2.5% to 0.1%, 0.125% and 1.25%, depending on the business activity considered.

❖ 0% Import Tax rate for medical and hospital products

A 0% rate, valid until 31 December 2020, is applied for the Import Tax (levied on the import of goods) levied on products that are considered important to the prevention of COVID-19 and to the treatment of infected patients. The list of exempt 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 COVID-19.

❖ 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). The original IOF rate has been re-established between 26 November and 14 December 2020, but a new Federal Decree extended the zero rate until 31 December 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 postponed the payment of the PIS (employees’ profit participation programme), the COFINS (contribution for social security financing), and the employers’ INSS (social security contribution) for two months. Accordingly, the PIS, COFINS and INSS due on the months of April and May were required to be paid in the months of August and October 2020 instead. These contributions are levied on payroll, on import transactions and on gross revenues, being applied at different rates. Subsequently, the deadline in June 2020, for payment of the PIS/COFINS and INSS, was also extended to November 2020.

❖ Postponement of the filing of income tax returns

The Brazilian Revenue Service postponed the deadline for the filing of income tax returns. For individuals, the deadline was moved from 30 April to 30 June 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, was exceptionally extended to 30 September 2020.

❖ IPI zero rate for essential products

Decrees issued by the Federal Government reduced the rate of Excise Tax (“IPI”) to 0% for essential products. IPI is applied on several products used to combat the COVID-19, such as digital thermometers, antiseptic solutions and protective gear, among other items. This measure was valid until 30 September 2020. The IPI rate for importation of rice was also reduced to zero until 31 December 2020.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

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 the pandemic. Many measures have been implemented, key measures are summarised here.

In addition, please note that some measures have expired and others have replaced previous measures.

Below is a summary of the tax measures currently in effect in Canada:

SUPPORT FOR INDIVIDUALS

❖ Employees Working from Home

Employees working from home in 2020 because of COVID-19 can claim up to \$400 for home office expenses, based on the amount of time working from home, without the need to track detailed expenses and without requiring a signed form from their employers. Employees may claim more than \$400 on their home office expense if they provide supporting documentation.

❖ Employment Insurance (“EI”) programme

As of 27 September 2020, those eligible for EI benefits will receive a minimum taxable benefit of \$500 per week or \$300 per week for extended parental benefits.

❖ Canada Recovery Benefit (“CRB”)

Those who do not qualify for EI can apply for CRB, which provides \$500 per week up to 26 weeks for workers who are not working or had their income reduced by at least 50% because of COVID-19. Applications opened 12 October 2020.

The CRB is something individuals can apply for on their own. Employers do not have a responsibility to ensure employees are claiming these correctly.

❖ Canada Recovery Sickness Benefit (“CRSB”)

For a maximum of two weeks, workers can receive \$500 per week if they are unable to work for at least 50% of the week because they contracted COVID-19, are self-isolating because of COVID-19, or have underlying conditions that make them more susceptible to COVID-19.

The CRSB and CRB are also programs individuals apply for on their own. Employers do not have a responsibility to ensure employees are claiming these correctly.

<https://www.blg.com/en/insights/2020/03/federal-government-introduces-covid-19-economic-response-plan>



CANADA

RECENTLY ANNOUNCED COVID-19 MEASURES

❖ **Canada Recovery Caregiving Benefit (“CRCB”)**

Workers (employed and self-employed) can receive \$500 per week for up to 26 weeks per household if they are unable to work for at least 50% of the week because they must care for a child under 12 or a family member.

The CRSB and CRCB are also programs individuals apply for on their own. Employers do not have a responsibility to ensure employees are claiming these correctly.

❖ **Canada Emergency Response Benefit (“CERB”)**

The CERB program, which was discontinued and replaced with the CRB, had provided qualifying employed and self-employed Canadians with \$2,000 for a 4-week period. The Canadian Government announced on 9 February 2021 that self-employed individuals who applied for CERB and who would have qualified based on their gross income will not be required to repay the benefit, provided they also met all other eligibility requirements. Therefore, self-employed individuals whose net self-employment income was less than \$5,000 and who applied for the CERB will not be required to repay the CERB if their gross self-employment income was at least \$5,000 and they met all other eligibility criteria.

❖ **Tax Treatment of COVID-19 Benefit Amounts**

On 19 April the Federal Budget for 2021 proposed allowing individuals to claim a deduction on repayment of a COVID-19 benefit in the year in which the benefit was received, as long as the repayment is repaid any time before 2023 (rather than deducting such amount in the year it was repaid). Individuals may only deduct benefits once they have been repaid. Those who have made a repayment but have already filed their income tax return may request an adjustment for the return for the relevant year.



CANADA

RECENTLY ANNOUNCED COVID-19 MEASURES

SUPPORT FOR BUSINESSES

❖ Canada Emergency Wage Subsidy (“CEWS”)

Eligible employers with any drop in revenue can qualify for this wage subsidy. The subsidy rate varies depending on the amount by which revenues dropped. Amounts received under the CEWS program must be included in a recipient’s income in the following taxation year.

On 18 December 2020, the federal government implemented the changes proposed in its Fall Economic Statement whereby the CEWS combined base subsidy rate has now been increased from 65% to 75% for active employees. On 21 December 2020, the CRA released a searchable online database that names the companies that have received CEWS. The registry does not indicate the amount received from CEWS, merely the names of the companies. On 3 March, the government announced that the current rate structure for this subsidy will continue from 14 March to 5 June 2021. On 19 April the Federal Budget for 2021 proposes new wage subsidy rate structures for 6 June 2021 to 25 September 2021. The rates would be gradually phased out starting 4 July 2021, reducing the 75% subsidy depending on the revenue decline. Only employers with a decline in revenues of more than 10% would be eligible for the wage subsidy as of 4 July 2021. Publicly-listed corporations will need to repay CEWS amounts received for a qualifying period beginning after June 2021 if its aggregate compensation for specified executives (e.g., chief executive officer, chief financial officer, and three other most highly compensated executives) during the 2021 calendar year exceeds its aggregate compensation for specified executives during the 2019 calendar year. The Federal budget also provided regulations involving support for furloughed employees, updated reference periods, and defined how to calculate baseline remuneration.

❖ Canada Emergency Business Account (“CEBA”) interest-free loans

Interest-free loans up to \$40,000 are available to small businesses and not-for profits to cover operating costs during a period where revenues were temporarily reduced. The programme was expanded to enable eligible organisations to access an additional interest-free loan up to \$20,000. The forgivable portion of any loan received must be included in a recipient’s income in the following taxation year. On 22 March, the government announced that the deadline to apply for these loans has been extended from 31 March to 30 June 2021.



RECENTLY ANNOUNCED COVID-19 MEASURES

❖ Regional Relief and Recovery Fund (“RRRF”)

Over \$1.5 billion has been provided to help businesses and organisations in sectors like manufacturing, technology, tourism and other key sectors to regions and local economies.

❖ Canada Emergency Rent Subsidy (“CERS”)

On 2 November 2020, a bill was introduced for a new rent subsidy programme to support qualifying businesses, charities, and non-profits with their rent and mortgage payments until June 2021. The subsidy operates on a sliding scale up to 65% of eligible expenses with a top-up of 25% for organisations temporarily shut down by government mandates. That means businesses could receive up to 90% rent support. CERS replaces the Canada Emergency Commercial Rent Assistance (“CECRA”). Amounts received under the CERS program must be included in a recipient’s income in the following taxation year. On 3 March, the government announced that the current rate structure for this subsidy will continue from 14 March to 5 June 2021. On 19 April the Federal Budget for 2021 proposes a new base rent subsidy rate structures for 6 June 2021 to 25 September 2021, reducing the 65% subsidy depending on revenue decline. The subsidy rates would be gradually phased out starting on 4 July 2021. Only organisations with a decline in revenues of more than 10% would be eligible for the base rent subsidy and the Lockdown Support. Budget 2021 proposed to extend the current 25% rate for the Lockdown Support to 25 September 2021, which is available to locations that must cease operations or significantly limit activities under a public health order under a federal, provincial or territorial government. An applicant must first qualify for the base rent subsidy.

❖ Large Employer Emergency Financing Facility (“LEEFF”)

This programme provides bridge financing to Canada’s largest 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.

❖ Canada Recovery Hiring Program (“CRHP”)

Budget 2021 introduced the new Canada Recovery Hiring Program to provide eligible employers with a subsidy of up to 50% on the incremental remuneration paid to eligible employees between 6 June 2021 and 20 November 2021. An eligible employer can claim either the hiring subsidy or the CEWS for a particular qualifying period, but not both. For-profit eligible employers generally include only Canadian-controlled private corporations. Non-profit eligible employers include individuals, organisations, charities, and certain partnerships. In both the qualifying period and the baseline period, eligible remuneration for each eligible employee would be subject to a maximum of \$1,129 per week. The hiring subsidy rates start at 50% and are gradually reduced to 20% by 24 October 2021. An eligible employer must have experienced a decline in revenues sufficient to qualify for the CEWS in that qualifying period. Where the CEWS is no longer in effect, an eligible employer would have to have experienced a decline in revenues of more than 10%. An eligible employer’s decline in revenues would have to be more than 0% for the qualifying period between 6 June 2021 and 3 July 2021, and 10% for qualifying periods between 4 July 2021 and 20 November 2021.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Chilean Government's economic plan to deal with the consequences of the spread of the Covid-19 virus in Chile, Law 21.256 published in the official gazette on 2 September 2020, included additional measures to relieve tax payments. The following measures are currently in force:

❖ Income Tax

- As of November 2020 the PPM ("Provisional monthly payments for Small and Medium enterprises", (Pequeñas y Medianas Empresas ("PYME"))) rate applicable to SMEs was reduced by half, until fiscal year 2023. Likewise, SMEs will benefit from a reduced Income Tax rate of 10% until fiscal year 2023.
- Regarding instantaneous depreciation, taxpayers who acquire new or imported fixed assets from June 2020 to 31 December 2022 would have the option to apply to an immediate depreciation in the same period the assets were acquired. Additionally, instantaneous depreciation is allowed for the following intangible assets: (i) industrial property rights; (ii) intellectual property rights and (iii) new plant varieties.
- The Chilean Government confirmed that all company expenses associated to the health contingency will be accepted as a tax expense deductible for purposes of net income determination. This measure means that all disbursements made by companies due to the contingency, such as the purchase of medicines, hygiene products, measures to implement teleworking and additional coverage in the case of insurers, will be tax deductible.
- The Chilean Government announced the extension of the term to submit Income Tax Return declaration until 31 May 2021.

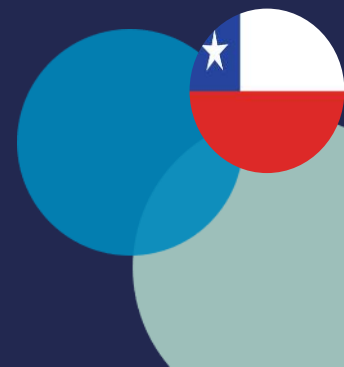
❖ VAT

- VAT deferred payments can be made in 6 or 12 monthly instalments with a 0% interest rate. This measure came into force from July 2020.
- Extension of the deferral periods of VAT payments from 2 to 3 months, regarding periods from October 2020 to December 2021.

❖ Real Estate Tax

- Payment of real estate tax payable in September and November 2020 is deferred for tax payers subject to final taxes, with respect to a real estate property for housing purposes whose tax assessment value does not exceed 5,000 UF as of June 2020. The payment of this tax may be made in four instalments, together with the following four real estate tax instalments accrued in 2021. The instalments will be due in April, June, September and November 2021.
- Payment of real estate tax payable in April, June, September and November 2021 is deferred without fines or interest for individual tax payers, with respect to a real estate property for housing purposes whose tax assessment value does not exceed 5,000 UF as of January 2021. The payment of this tax may be made in four instalments, together with the following four real estate tax instalments accrued in 2022. The instalments will be due in April, June, September and November 2022.

<https://www.bye.cl/relevant-information-covid-19/?lang=en>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

- Payment of real estate tax payable in April and June 2021 is deferred without fines or interest for corporations, which sales does not exceed 100.000 *Unidades de Fomento* and has suffered a sales decrease at least of 30% of the sales average between January and February 2021. The payment of this tax may be made in two instalments, together with the real estate tax instalments accrued on April and June 2022.

❖ Stamp Tax

- Law No. 21.307 published in the Official Gazette on 3 February 2021, modifies the Guarantee Fund for Small and Medium-Sized Entrepreneurs (“FOGAPE”) in order to promote the reactivation and recovery of the economy. New financing guaranteed by FOGAPE granted as from the effective date of the law until 31 December 2021 will be exempt from stamp tax. The exemption is also extended for refinancing guaranteed by FOGAPE granted during the above mentioned period.

❖ Other 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.
- Law No 21.210 imposed a new regional contribution at a 1% rate payable only once on the acquisition value of fixed assets acquired to develop investment projects subject to environmental impact assessment according to the Chilean laws (other than those related with health, educational, scientific, research or technological development activities and the construction of housing and offices), but only with respect to the part that exceeds USD 10 million. Notwithstanding the latter, as a measure to face COVID-19, Law No 21.256 stated that for investment projects subject to an environmental impact assessment before December 2021 and that start their operations within 3 years from the date they obtain a favourable opinion, the Chilean Treasury will finance the contribution, instead of the taxpayer.
- Law No. 21.323 published in the Official Gazette on 6 April 2021 by the Chilean Government granted economic support in order to give the Chilean people who suffered an income decrease during the last year and meet certain requirements established in the relevant law. The amount of money received by the government in any of the measures contemplated in the referred law shall not be subject to any tax impositions.
- Decree No. 611 published in the Official Gazette on 24 April, stated an extension of Municipal License to the extent of six-monthly instalments between July 2021 and June 2022, to the extent that companies comply with certain requirements set out in the abovementioned decree.
- Likewise, Decree No. 611 established that taxpayers can apply to a remission equal to 90% of the fines and interests accrued in the tax debts. Also, the decree entitle the Treasury to give payments facilities to tax payers through different agreements in order accomplished their tax duties.



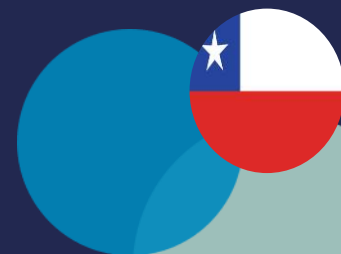
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

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.

❖ 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 full CIT deduction in a single year and to apply for full refunds 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 Chinese Individual Income Tax (“IIT”).

❖ Donations

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

These exemptions cover goods donated through charity organisations, 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 organisations or government authorities can be fully deducted for CIT and IIT purposes as well.

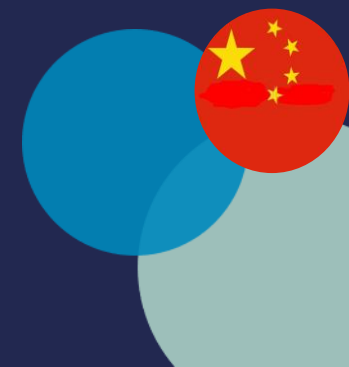
❖ Losses carried forward

In order to cushion the impacts to businesses and the economy, The 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, the ability to utilise CIT losses incurred in 2020 will be extended from five years to eight years.

<http://www.chinatax.gov.cn/eng/home.html>

http://www.mohrss.gov.cn/SYrlzyhshbzb/laodongguanxi/z_cwj/



CHINA

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ VAT on small-scale taxpayers

Going further, China's State Council also exempted VAT for small-scale taxpayers in Hubei province (where Wuhan is located) and reduced the VAT collection rate from 3% to 1% for small-scale taxpayers in other areas, from 1 March to 31 May 2020. Under an updated policy, the policy was extended to apply for the period of from 1 March to 31 December 2020, there is no indication that it will be further extended in Jan 2021.

❖ Social Measures

The Chinese government provides a lot of Social Security deferral payments and subsidies. They responded by deferring payments and subsidised the small and medium-sized enterprises' rates and the Social Security payments.

- For Shanghai, the employer portion of Medical Insurance decreased from 10.5% to 10%, the 50% of the total unemployment insurance in the preceding year can be refunded to the employers which do not lay off employees or reduce layoffs and satisfy the criteria for the period from February to December 2020. The latest payment deadline has been postponed by 3 months during the Pandemic (no specific date to define the Pandemic period).
- For Beijing, the latest payment deadline has been postponed by 5 months but not later than 20 December 2020.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

Five plans to support the economy were presented on 5 November 2020 by the Ministers of Finance and Labour. The economic support packages include five plans to support workers and businesses over the next five months.

The new special plans, which will cover the period from 1 November 2020 to 31 March 2021, concern four plans to support workers and businesses and one to support the unemployed. Beneficiaries of the plans are expected to rise to 60,000 plus a number of unemployed.

Of the five 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. The final (fifth) plan refers to those unemployed that shall be covered from the Unemployment Fund and the Social Insurances for an extra period.

In overview we explain some further detail on these plans together with a number of other key measures below:

❖ **Plan 1. Continuance of Subsidy Plan for Companies operating in tourism or are directly affected by tourism or have economic activities associated with companies**

The plan was continued for businesses under mandatory full suspension and participated in the Special Plans from 16 March 2020 to 31 October 2020.

❖ **Plan 2. Subsidy Plan for Companies that are under mandatory full suspension, that have participated in the Special Plans from 16 March 2020 to 31 October 2020**

Businesses including employers that are under mandatory full suspension, in accordance with the Decrees of the Minister of Health and the relevant Decisions of the Council of Ministers from 16 March 2020. Payment of the lump sum sponsorship will not require an application from the beneficiaries. The prerequisite is that they were included and approved in the Special Plan for the Complete Suspension of Business Work, of the Ministry of Labor, Welfare and Social Security that is implemented in the framework of the emergency measures to deal with the COVID-19 pandemic.

❖ **Plan 3. Subsidy Plan for Businesses and Independent Employees who are under mandatory full suspension, or have a turnover reduction of more than 80%**

Businesses and self-employed persons who are under mandatory full suspension or have a turnover reduction of more than 80%. Payment of the lump sum will not require an application from the beneficiaries. The precondition is that the beneficiaries join and be approved for the Special Plans of the Ministry of Labor, Welfare and Social Insurance that are implemented in the framework of the emergency measures to deal with the COVID19 pandemic and will be announced by the Ministry of Labor.

❖ **Plan 4. Employee subsidy scheme**

We are awaiting Details from Labour Ministry. It is expected that those currently unemployed that shall be covered from the Unemployment Fund and the Social Insurances for an extra period of time.

pio.gov.cy/coronavirus/eng
coronavirus.mlsi.gov.cy/
cyprusflightpass.gov.cy



OVERVIEW OF PUBLISHED COVID-19 MEASURES (CONTINUED)

❖ Grant of Rents and Operating Expenses

- Six-month extension of the Interest Rate Grant Plan for new business loans until 30 June 2021
- Six-month extension of the Plan for Support of Interest for new housing loans until 30 June 2021

❖ VAT Payment Due Date

VAT payments can be delayed without any penalties or 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 is to be paid in fixed instalments that refer to the reporting period by 10 April 2021.

❖ Filing Due Dates

Filing of quarterly VAT returns is still mandatory and must be done within the deadline. VAT returns are to be submitted quarterly and the payment of the VAT must be made by the 10th day of the second month that follows the month in which the tax period ends.

Tax return filing and tax payment deadlines for individuals for the year 2019 have been extended until 15 December 2020. These would usually have been due on 31 July.

❖ Company Filings

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 has been suspended until January 2021.

The possibility of payment of the annual levy of €350 for 2020 has been extended to 31 December 2020, without the imposition of the penalty of 10% and 30%.

The implementation of the monetary penalty for late submission of forms to the Registrar of Companies, 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. has been postponed to 2021.

The annual returns ("HE32") with preparation date from 1 January 2020 to 31 December 2020 may be submitted to the Registrar of Companies by 28 January 2021, without the imposition of the additional penalty of €20 for late submission.

❖ Penalties for Late Tax Payments for 2020

No penalties until 10 November 2020.



CYPRUS

FUTURE COVID-19 MEASURES

❖ Opening of Airports, The Cyprus Flight Pass and Entry Requirements

The Republic of Cyprus reopened its airports on 20 June 2020 (Phase B) to all travellers based on country classification. To enter Cyprus travellers are required to complete a "Flight Pass" online at <https://cyprusflightpass.gov.cy>, which will be presented upon boarding the aircraft to Cyprus and upon landing in Cyprus. In a recent update Cyprus has become the first European Union Member State to announce that it plans to abolish entry requirements like testing and quarantine for travellers who get vaccinated against COVID-19.

The plan, which is set to come into force in March 2021, was announced via news media by the Cypriot Transport Minister Yiannis Karousos. The amended action plan is expected to further boost the interest of airline companies to carry out additional flights to Cyprus, improve connectivity and increase passenger traffic.

Cyprus' new action plan includes a four-tier safe travel list, replacing a three-tier system:

- Green Category- No restrictions
- Orange Category- A negative Covid-19 test result (not older than 72 hours) must be presented before departure
- Red Category- Two negative covid-19 test results- one within 72 hours before departure and another upon arrival in the country. No self-isolation measures apply in this category
- Grey Category or the 'special permit category'- Passengers arriving from countries in this category will have to present a negative Covid-19 test result (not older than 72 hours) before departure and must self-isolate upon arrival in accordance with the instructions of the health ministry.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Government support for employers – Antivirus plan

The following plans are available for companies who have been impacted by Covid-19 to reimburse wages paid to employees, depending on the type of the restriction the business has experienced:

- **Plan A Plus - Forced limitation of business operation** - applicable until 31 May 2021; reimbursement of 100% of wage compensation including social and health contributions up to CZK 50,000 (approx. €1,900) / month / employee.
- **Plan A - Quarantine** – applicable until 31 May 2021; the reimbursement is 80% of wage compensation including social and health contributions up to CZK 39,000 (approx. €1,500) / month / employee) per month for each employee.
- **Plan B - Related economic difficulties** (absence of significant number of employees, limitation of inputs, limitation of demand for the products) – applicable until 31 May 2021; compensation of 60% of salary costs including social and health contributions up to CZK 29,000 (approx. €1,100) per month for each employee.

Based on practical experience, it is important to fulfill all stipulated conditions and in addition, to meet all formal requirements. The contributions are regularly audited by the authorities. If the conditions/formal requirements are not fulfilled, the contributions must be refunded including penalties. It can be expected that government support will represent an additional area for due diligence focus.

❖ COVID – uncovered costs plan

This new type of support has been launched in April 2021. Eligible applicants are businesses whose activities are restricted by Covid-19 measures. The subsidy is provided for the period from 1 January 2021 to 31 March 2021. The amount of subsidy is 60% of uncovered costs for the relevant period (40% for companies with a state participation). The maximum amount is CZK 40 million per applicant.

The applicant must prove a decrease in turnover by at least 50% for the relevant period and uncovered costs, i.e. loss decreased by subsidies provided to applicants for support under the EC Temporary Framework, Antivirus and other subsidies for eligible expenses.

Applications can be submitted from 19 April 2021 until 19 July 2021. COVID – uncovered costs plan cannot be combined with another new plan (COVID – 2021).

❖ COVID – 2021 plan

Another type of support has been introduced in March 2021. COVID – 2021 support amounts to CZK 500 per day per employee for the period from 11 January 2021 to 31 March 2021. The applicant must prove a decrease in turnover by at least 50 % in the period from 1 January 2021 to 31 March 2021.

Applications can be submitted from 12 April 2021 until 2 June 2021. This plan can be combined with the support from the Antivirus plan. It cannot be combined with COVID - uncovered costs plan.

<https://www.financnisprava.cz/en/>



CZECH REPUBLIC

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Allowance for employees in mandatory quarantine

The Czech Government has introduced a new allowance of up to CZK 370 per day for the duration of the first 14 calendar days for employees in mandatory Covid-19 quarantine. The allowance is payable to employees that are in quarantine between 1 March and 30 June 2021.

❖ Waiver of VAT late payment interest, VAT exemption of gratuitous supplies of goods

A waiver of late payment interest on VAT payments due for September 2020 - March 2021 (or for the 3rd quarter 2020, the 4th quarter 2020 and the 1st quarter 2021) has been granted to taxpayers whose activities were forbidden or restricted if the VAT due is paid by 16 August 2021. A notice to the tax authority is required to apply the waiver (before the payment is due).

VAT exemption is applicable on the supplies of respirators in the period from 3 February 2021 until 3 June 2021.

❖ Road tax and property tax

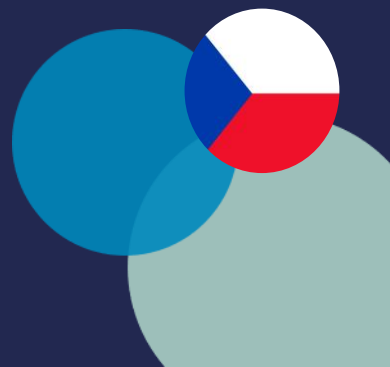
A waiver of road tax advance payment due on 15 April 2021 has been granted to certain taxpayers whose activities were forbidden or restricted (based on an individual notice).

❖ General waiver of penalties for late filing of the income tax return

No sanctions for late filing of the income tax return (penalties and late-payment interest) for 2020 taxable period will be imposed if the tax return is submitted by 3 May 2021 (in paper form) or by 1 June 2021 (electronic submission) and the tax is paid by 3 May/1 June 2021. No application needs to be filed and the waiver applies automatically to all taxpayers.

❖ Individual request for postponing the tax payments

Taxpayers can apply for a postponement of any tax payment (including wage tax and withholding tax) if they demonstrate the reasons connected with the Covid-19 pandemic. In such a case, a general waiver of the late payment interest arising from 1 January 2021 until 16 August 2021 has been granted for tax payments postponed based on an individual request.



❖ Amendment to the Income Taxes Act entering into force from 1 January 2021

The following changes are applicable from 1 January 2021:

- **Abolition of the super-gross salary** : The super-gross salary concept abolished as of 1 January 2021. A personal income tax base from employment is represented only by gross income instead of the gross income increased by obligatory social and health insurance contributions paid by the employer. As a result, the effective tax rate is reduced to 15% instead of 20,1% (for income up to 48-multiple of the average salary).
- **Change in tax rates** : The amendment introduces progressive taxation with 15% and 23% rates. The tax rate of 23% is applicable on the amount exceeding 48-multiple of the average salary.
- **Higher limit for tax depreciation of tangible assets** : The amendment increases the acquisition value of tangible assets for the purpose of tax depreciation to CZK 80,000 (currently CZK 40,000) for assets acquired after 1 January 2021. For tangible assets acquired between 1 January 2020 and 31 December 2020, the application of the higher limit is voluntary.
- **Reduction of depreciation periods** : The amendment introduces the extraordinary depreciation of tangible assets included in the first or second depreciation group that were acquired between 1 January 2020 and 31 December 2021 and reduces the depreciation period from 3 years to 12 months (the first depreciation group) and from 5 years to 24 months (the second depreciation group). The extraordinary depreciation is voluntary.

❖ DAC6

As of 29 August 2020 DAC6 has been implemented in the Czech Republic. The Czech Republic has adopted the full scope of DAC 6 as defined by the EU Directive and has not introduced any additional reporting obligation beyond DAC 6. The Czech Republic has opted for a six-month delay granted by the EU Directive 2020/876 and postponed the time limits for filing and exchange of information. The reportable arrangements, the first step of which was taken in the period from 25 June 2018 until 30 June 2020, should be reported by 28 February 2021.

❖ Government support for employers – (“Kurzarbeit scheme”)

Kurzarbeit scheme reducing working hours in the event of a limitation in working time ranging from 20-80% of working hours has been proposed. According to the scheme, there will be a state contribution of 70% of the original wages (maximum average wage in the Czech Republic) for the time during which no work is performed. Companies paying out dividends will not be entitled to benefit from the support. The proposal has yet to go through the legislative process and further discussions are expected.

❖ New taxes may be also approved in the following months

The Czech Government is proposing a new digital tax to be implemented in the Czech Republic. The proposed digital tax will apply on large companies with a global turnover exceeding €750 million. The proposed tax rate amounts to 7%. The digital tax should be an interim measure until 2024. The proposal has yet to go through the legislative process.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extended deadlines for remission and payment of VAT

The Danish Government extended the deadlines for remission and payment of VAT in 2020.

For companies with a turnover higher than DKK 50 Million paying VAT monthly the following periods for remission and payment were extended:

- For the VAT period March 2020 the deadline was extended to 25 May 2020
- For the VAT period April 2020 the deadline was extended to 25 June 2020
- For the VAT period May 2020 the deadline was extended to 27 July 2020
- For the VAT period June 2020 the deadline was not extended
- For the VAT period July 2020 the deadline was extended to 9 September 2020
- For the VAT period August 2020 the deadline was extended to 2 October 2020

For medium-sized companies paying VAT quarterly the deadline for the periods consisting of the first and second quarter of 2020 was extended to 1 September 2020 and the deadline for the periods consisting of the third and fourth quarter has been extended to 1 March 2021.

For small companies paying VAT half-yearly the deadline for the periods consisting of the first and second half year of 2020 has been extended to 1 March 2021.

❖ Extended deadlines for payment of tax on labour costs

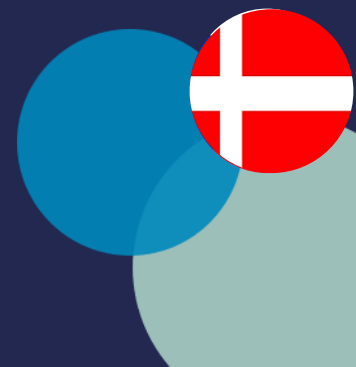
For companies paying tax on labour costs by using method 4 (ex. dentists and physiotherapists) the deadlines for payment have been extended. The deadline for payment of tax on labour costs for the second quarter of 2020 was extended to 1 September 2020 and the third quarter was extended to 16 November 2020.

❖ Extended deadlines for companies for submission of corporate income tax return

The submission deadlines for companies were extended. For personally owned companies the original deadline 1 July 2020 concerning income year 2019 was extended to 1 September 2020. For companies with deadline 31 March 2020 concerning income year 2019 the deadline was extended to 1 September 2020. For companies with deadline in October 2020 for the income year 2020 the deadline was extended to 31 January 2021.

<https://skat.dk/skat.aspx?oid=16900&lang=us>

<https://www.thedanishparliament.dk/>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extended deadlines for payment of B-tax

For personally owned companies the following deadlines for payment of B-tax was extended:

- The 20 April 2020 deadline was extended to 22 June 2020
- The 20 May 2020 deadline was extended to 21 December 2020

❖ Extended deadlines for payment of withholding tax on salary income and labour market contribution

For small and medium-sized companies the following deadlines for payment of withholding tax on salary income and labour market contribution has been extended:

- The 14 April 2020 deadline was not extended
- The 11 May 2020 deadline was extended to 10 September 2020
- The 10 June 2020 deadline was extended to 12 October 2020
- The 10 July 2020 deadline was extended to 10 November 2020
- The 10 August 2020 deadline was not extended
- The 10 September 2020 deadline was extended to 29 January 2021
- The 12 October 2020 deadline has been extended to 31 March 2021
- The 10 November 2020 deadline has been extended to 31 May 2021

For large companies the following deadlines for payment of withholding tax on salary income and labour market contribution has been extended:

- The 31 March 2020 deadline was not extended
- The 30 April 2020 deadline was extended to 31 August 2020
- The 29 May 2020 deadline was extended to 30 September 2020
- The 30 June 2020 deadline was extended to 30 October 2020
- The 31 July 2020 deadline was not extended
- The 31 August 2020 deadline was extended to 15 January 2021
- The 30 September 2020 deadline has been extended to 16 March 2021
- The 30 October 2020 deadline has been extended to 17 May 2021



OVERVIEW OF PUBLISHED COVID-19 MEASURES

Companies which are required to stay closed may apply for exemption from interests and fees imposed in connection with payment of withholding tax on salary income and labour market contribution for March 2020.

❖ VAT loans to small and medium-sized companies

Small and medium-sized companies have in two periods, the latest application period being from 17 November 2020 to 18 December 2020, been able to obtain compensation by applying for an interest free loan for paid VAT due on 2 March 2020. Small companies have been able to apply for an interestfree loan equivalent to the VAT the company had reported for the fourth quarter of 2019. Medium-sized companies have been able to apply for an interest free loan equivalent to the VAT the company had reported for the second half of 2019. The loans will be due for repayment 1 November 2021.

❖ Tax loans to small and medium-sized companies

Small and medium-sized companies may apply for a loan equivalent to the withholding tax on salary income and labour market contribution the company has reported for the periods August and December 2020. The application period runs from 3 February 2021 to 31 March 2021. The loan will be due for repayment 1 November 2021.

❖ The maximum on the tax account has been raised

Companies are given the opportunity to raise the tax account to maximum 100 billion in the period 7 May 2020 to 1 November 2021.

❖ DAC6

DAC6 has been implemented and entered into force in Denmark 1 July 2020. However, the reporting deadlines have been extended 6 months.

❖ The Tax Assessment Act s. 33A

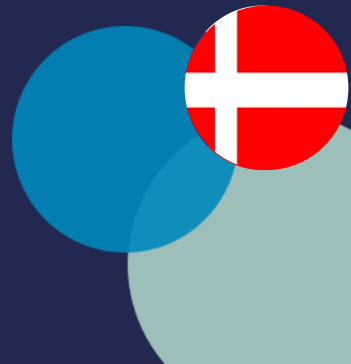
Stays in Denmark in the period 9 March 2020 to 30 June 2020 may be disregarded for employees being taxed pursuant to the Tax Assessment Act s. 33A.

❖ Tax liability in Denmark

Stays in Denmark in the period 9 March 2020 to 30 June 2020 may be disregarded for employees with residence in Denmark who does not wish to become fully liable to pay tax in Denmark due to staying in Denmark for more than three months continuously and more than 180 days within a 12-month period.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

In its plenary session on Tuesday 27 April, the Government issued decrees repealing the use of powers under the Emergency Powers Act and declared that the current situation in the country no longer constitutes a state of emergency under section 3 of the Emergency Powers Act. In the Government's view, the COVID-19 epidemic can now be managed using the regular powers of the authorities. The significance of the decision is that the powers under the Emergency Powers Act will no longer be used. In line with the Government's hybrid strategy, other legislative powers will continue to be applied – in particular those laid down in the Communicable Diseases Act, but also the Border Guard Act – along with other legislation for normal conditions. In addition, the situation is being managed through regulations, guidelines and recommendations issued by the authorities. It is also possible to reintroduce the powers laid down in the Emergency Powers Act as a last resort if the epidemiological situation so requires. This would first require declaring a state of emergency again.

❖ **Extension granted for the filing of business tax returns**

An additional period of one month has been granted for the filing of business tax returns. This affects limited-liability companies and cooperatives, non-mutual housing companies, co-operative banks and savings banks, mutual insurance companies and insurance associations, pension trusts and tax resident foreign organisations. The tax return must be filed by 31 May 2021. Companies do not need to separately apply for the extension.

❖ **Relief for businesses and individuals: additional time to pay taxes at 2.5 % interest**

Taxpayers can apply for an extension to pay taxes on easier terms than normal. The interest on tax debt lowers temporarily from 7% to 2.5%. Taxpayers can apply for this payment arrangement from 21 April 2021 onwards.

❖ **Taxpayers' possibility to request more time to file income tax returns and removal of late-filing penalty**

Request may be made if the taxpayer has a justified reason, e.g. illness to have more time to file income tax returns. Additionally, even though the Finnish Tax Administration does not grant more time for filing VAT returns, there is a possibility to request removal of the late-filing penalty related to VAT returns.

❖ **Possibility to make amendments to tax prepayment amounts**

If a company's income has decreased due to the COVID-19, the company may change prepayment amounts. Changes to the prepayments may be requested multiple times in a year.

Prepayments can be lowered at a company's request without interim financial statements or other written clarifications.

Also, a company may request changes to the months in which prepayments fall due.

<https://www.eduskunta.fi/EN/Pages/default.aspx>

<https://www.vero.fi/en/About-us/>

<https://www.borenius.com/2020/07/09/listed-companies-half-year-reports-to-focus-on-the-impact-of-the-covid-19-pandemic/>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Temporary amendment to the Finnish Act on Tax on Lottery Prizes

The lottery tax rate will be lowered from 12% to 5.5% in order to secure the level of funding of the beneficiaries of gambling activities. The amendment is temporary and applicable between 1 January 2021 and 31 December 2021.

❖ Temporary VAT exemption for vaccines and testing kits

The Finnish Ministry of Finance is preparing a government's proposal which would enable applying zero rates to COVID-19 vaccines and in vitro diagnostic medical devices.

❖ Payment arrangement with eased terms and removal of late-payment interest

The companies having financial difficulties could request for a payment arrangement with eased terms from 25 March to 31 August 2020. As of 1 September, the companies may request for payment arrangements with regular terms. Also as part of their payment arrangement, the companies could request for the VAT they had paid at the beginning of 2020 to be returned to the companies and treated as a loan.

Extended time for payment can be requested for car tax and excise duties.

Until the end of 2020 tax refunds were not automatically utilised against the taxes in the payment arrangement with eased terms, but rather it was possible for companies to receive cash refunds to aid cash flow.



FUTURE TAX MEASURES

❖ New favourable regime concerning share issues to employees

As of 1 January 2021 amendments to the Income Tax Act in a form of a new section on share issue to employees became applicable. In accordance with the new rules, employees can subscribe for shares in their employer company based on the mathematical value of the shares without receiving any taxable benefit. Taxable income will be assessed only if the subscription price is lower than the determined mathematical value of the share.

❖ Implementation of the reverse hybrid rules

The Finnish Ministry of Finance is preparing a government's proposal which would amend the Act on the Taxation of Certain Hybrid Cross-Border Arrangements. The amendment under preparation would implement the so-called reverse hybrid rules included in Article 9 a of the ATAD2. The rules are intended to become applicable as of the beginning of the year 2022.

❖ VAT e-commerce

The Finnish have passed a bill which will amend the Finnish Act on Value-Added Tax as required by the EU Directives 2017/2455 and 2019/1995. Also, the exemption for VAT on goods imported from outside of the EU with a maximum value of EUR 22 will be abolished. The amendment is proposed to enter into force on 1 July 2021.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

In his speeches of 12 and 16 March 2020, the French President announced strong measures to support businesses, employees and the self-employed. This declaration was accompanied by the approval of tax measures, which have been modified and/or completed in the following months. The main measures still applicable today are summarised below:

❖ Reduction to 5.5% of the VAT rate related to the fight against the spread of COVID-19

Pursuant to the 2nd amending law published on 26 April 2020, some products become subject to a reduced VAT rate of 5.5%.

- This applies to products suitable for the fight against the spread of Covid-19 including masks, protective clothing, safety glasses and protective visors as well as the interchangeable components of these products, Medical devices (such as medical gloves, gowns, aprons, overshoes) within the meaning of Article 2 (1) of Regulation (EU) 2017/745 of the European Parliament and of the Council of 5 April 2017 for the period from 24 March 2020 to 31 December 2021.
- This also applies to products intended for personal hygiene suitable for the fight against the spread of the Covid-19 virus for the period from 1 March 2020 to 31 December 2021.

❖ Deductibility of rents and ancillary costs waived by the creditor, even outside insolvency proceedings

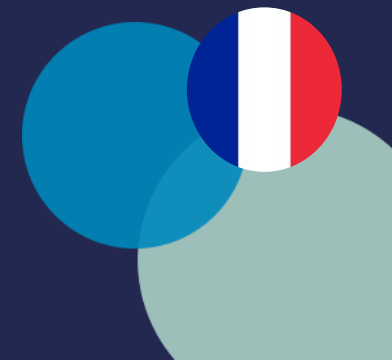
The measure applies to rents waived between 15 April and 31 December 2020. The element waived remains subject to taxation for beneficiary taxpayers subject to CIT. The beneficiary company may increase the limit of €1m provided for the use of tax losses up to the amount of debt waived.

<https://www.arsene-taxand.com/actualites/arsene-engages-avocats-et-citoyens-nous-facilitons-lapprehension-des-dernieres-informations-relatives-aux-mesures-daccompagnement-des-entreprises-en-france-et-dans-certains-pays>

<https://www.vie-publique.fr/loi/277070-plfr-4-projet-loi-de-finances-rectificative-2020-4e-budget-rectificatif>

<https://www.economie.gouv.fr/covid19-soutien-entreprises/les-mesures>

<https://www.economie.gouv.fr/projet-loi-de-finances-2021>



FRANCE

OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES WERE PUBLISHED WITHIN THE CONTEXT OF THE 3RD AMENDING FINANCE LAW, DATED 30 JULY 2020

❖ **Deferral of the effective application of DAC6, reporting cross-border arrangements**

DAC6 reporting requirements have been deferred:

- until 28 February 2021 for arrangements entered into between 25 June 2018 and 30 June 2020; and
- until 1 January 2021 for arrangements entered into since 1 July 2020.

❖ **Exceptional diminution of Economic Territorial Contribution (“ETC”) by reduction of (“ELC”) for 2020**

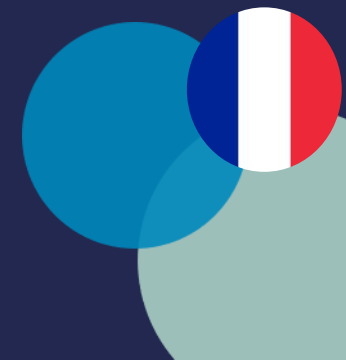
Municipalities and intermunicipal associations are allowed to grant a reduction of 2/3rds of the amount of the ELC (tax assessed on the rental value) of companies in the sectors of activity particularly affected by the crisis with less than €150 million in turnover. This measure only applies to contributions due for 2020 and does not concern additional taxes or annexes to the ELC.

❖ **Early repayment of account receivables for losses carried back**

Companies subject to CIT may request as soon as 2020 the immediate reimbursement of their stock of receivables.

❖ **Exceptional exemption on donations made to family members**

Donations granted from 15 July 2020 to 30 June 2021 and allocated within three months to the subscription to the capital of a small business, to energy renovation or to the construction of the main residence are exempt from transfer tax up to a limit of €100,000.

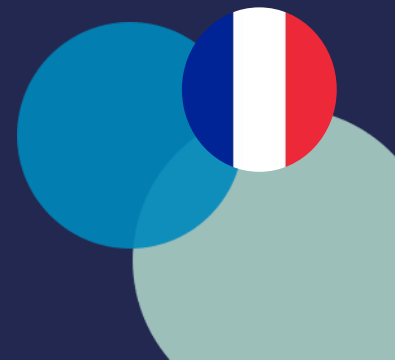


OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES PUBLISHED WITHIN THE CONTEXT OF THE 2021 FINANCE LAW, DATED 29 DECEMBER 2020

Finance Law n° 2020-1721 dated 29 December 2020 includes the following tax measures, many of which drive at continued support for businesses and driving economic growth:

- ❖ **Diminution of the ETC (the ETC has two components, the EAVC and the ELC) by:**
 - reduction of EAVC (tax assessed on the added-value created by companies) by half; and
 - adjustment of the ceiling rate of ETC according to the value added, from 3% to 2%.
- ❖ Extension of the ELC exemption within three years from the creation of the extension of an establishment.
- ❖ Adjustment of the accounting valuation method for the needs of property tax and ELC.
- ❖ Tax neutralization of the free reassessments of assets until 31 December 2022.
- ❖ Until 31 December 2022 possible spreading of the capital gain realised during a sale and leaseback of a real estate asset by a company.
- ❖ Postponement of the entry into force of the rules modifying the VAT regime for e-commerce from 1 January 2021 to 1 July 2021.
- ❖ Extension of the reduced CIT (15%) rate on part of the profit of companies with a turnover lower than €10 million (this was €7.63 million before).
- ❖ Extension of conciliation procedures of tax arrangements concerning other collective procedures (namely presumption of normality of commercial debt write-offs and possibility of benefiting from an early repayment of carried back losses).
- ❖ Extension up to 31 December 2021 of the 25% income tax reduction for subscribing to the capital of SMEs.
- ❖ Landlords waiving rents to companies with less than 5,000 employees closed or impacted by the lockdown in November 2020 would obtain a **tax credit equal to 50% of the rent waived** as for November 2020. However:
 - The basis for the tax credit is capped at 2/3rds of the overall rent when renting to companies with more than 250 employees.
 - The maximum amount of waived rents should not exceed €1,600,000 for a renting company with less than 250 employees and €2,400,000 for a renting company with between 250 and 5,000 employees (in both cases the tax credit therefore cannot exceed €800,000).
- ❖ 0% VAT rate on Covid-19 vaccines and tests until 1 January 2023.
- ❖ Temporary exemption on the tax on cinema tickets as well as report of payment and temporary exoneration for the tax on variety shows.
- ❖ Temporary extension until 31 December 2022 of the tax credit for the productive investments in overseas department to some struggling companies.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES ANNOUNCED BY THE FRENCH GOVERNMENT

❖ Measures to support businesses announced on 29 October 2020

The French Minister of Economy and Finance announced additional measures to support businesses on 29 October 2020. The key measures were:

- Exemption of social contributions for companies under administrative closure or companies of certain sectors provided they meet certain conditions.
- Suspension of social contributions for independent workers.
- Extension of the solidarity fund and possibility to benefit from a monthly compensation up to €1,500 or €10,000 under certain conditions (see more detail below).
- Extension of the State guarantee for loans, and possibility to obtain loans directly from the State.

In respect of the solidarity fund in particular, the French President subsequently indicated on 24 November 2020 that:

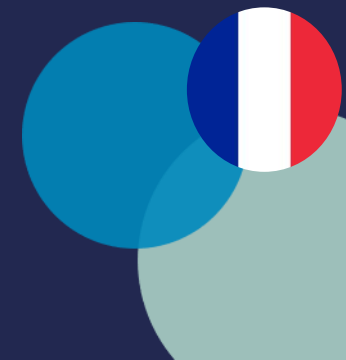
- The solidarity fund would be of benefit to all the companies subject to administrative closure. These companies may benefit from (i) a monthly compensation of €10,000 or (ii) a compensation equal to 20% of the turnover realised on the same period the year before, limited to €200,000.
- Companies from certain sectors (tourism, culture, events & sport) which remain open but suffer a loss of turnover of more than 50% may benefit from (i) a monthly compensation of €10,000 or (ii) a compensation equal to 15% (20% if the loss exceeds 70%) of the turnover realised on the same period the year before, limited to €200,000.

As of today, the solidarity fund is available until the end of June 2021.

❖ ELC/ETC Additional Measures announced on 19 November 2020

Companies who have difficulty paying their ELC by 15 December 2020, "notably" due to activity restrictions for health reasons, may obtain a 3-month extension of their due date on simple request sent by e-mail.

Companies in a position to benefit from an ETC cap for 2020 based on added value may anticipate the rebate by offsetting it themselves against the balance of the 2020 ELC (with an accepted margin of error of 20% without penalty) which should offer companies a cash flow advantage as a result.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES ANNOUNCED BY THE FRENCH GOVERNMENT

❖ Measures to support businesses announced on 2 March 2021

First CIT installment

The first CIT installment due on 15 March 2021 may be adjusted and correspond, exceptionally, to 25% of the projected CIT for the fiscal year ending 31 December 2020 (and not 31 December 2019), with a margin of error of 10%.

In this case, the amount of the second installment paid on 15 June 2021 must be calculated so that the sum of the first two installments is equal to at least 50% of the corporate income tax for the financial year ending 31 December 2020.

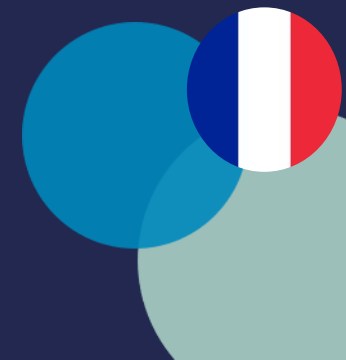
These particular methods of calculation will also apply to the advance payments of social security contributions on the corporate income tax of 15 March 2021 and 15 June 2021.

This flexible faculty of modulation, which can be exercised without any particular formalism, remains optional. A company that does not make use of it will continue to comply with the rules of current law. This new provision is subject, for large companies (company or group with at least 5,000 employees or a turnover in excess of €1.5 billion), to compliance with their responsibility commitments (non-payment of dividends in particular).

Accelerated procedure for the reimbursement of refundable corporate tax credits

In order to provide financial assistance to companies in difficulty, the accelerated procedure for the reimbursement of refundable corporate tax credits is renewed in 2021.

Companies that benefit from one or more refundable tax credits in 2021 can now request the refund of the balance of the available claim, without waiting for the filing of their CIT return. This measure concerns all tax credits that are refundable in 2021.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES ANNOUNCED BY THE FRENCH GOVERNMENT

❖ Coverage of fixed costs from 31 March 2021

The scheme aims to support the fixed costs of companies impacted by the Covid crisis that are not covered by their revenues, insurance or public aid until July 2021.

The scheme is open to businesses that are subject to a ban on receiving the public or belong to the tourism sector or have at least one of their sales outlets located in a shopping center of more than 20,000 m2, subject to a ban on receiving the public and that meet all the following conditions:

- created before 30 April 2019 ;
- having lost more than 10% of their sales in 2020 compared to 2019 ;
- having a monthly turnover of more than €1 million or an annual turnover of €12 million ;
- with a loss of at least 50% of sales and eligible for the solidarity fund in January 2021 or February 2021 ;
- having a negative gross operating surplus for the period January-February 2021.

In addition, as some small businesses have higher than average fixed costs and are insufficiently covered by the solidarity fund, the scheme will be open to businesses in the following sectors without turnover criteria (but meeting the other two conditions):

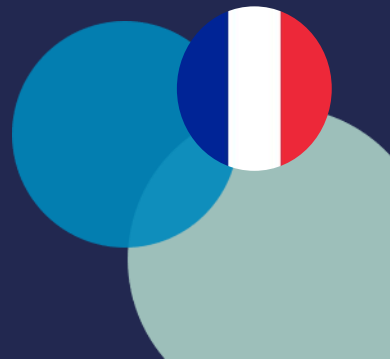
- indoor leisure (climbing gym, bowling alley, etc.) ;
- sports halls ;
- gardens and zoos ;
- thermal baths ;
- companies in the HCR sector and tourist residences located in the mountains.

The calculation of this aid is based on the gross operating losses (GOL) according to the following formula: $GOL = \text{Revenue} + \text{subsidies (such as aid from the solidarity fund)} - \text{purchases consumed} - \text{consumption from third parties} - \text{personnel costs} - \text{taxes and similar payments}$.

The scheme is calibrated to cover 70% of operating losses for companies with more than 50 employees and 90% of operating losses for companies with less than 50 employees, up to a limit of €10 million for the first half of 2021.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

Below we summarise the key measures as they came into force during the course of the pandemic throughout 2020.

With its **decree dated 19 March 2020** the Federal Ministry of Finance instructed the local tax authorities to apply the following ad-hoc tax measures to ensure the short-term solvency of taxpayers:

❖ Simplification of tax deferrals if their collection would lead to significant hardship

The German tax authorities are instructed to not impose strict conditions in this respect for taxes due until 31 December 2020. The tax authorities are instructed, generally, to waive interest for delayed payments in this respect. The Federal Ministry of Finance has extended the time period to 30 September 2021 (cf. decree dated 18 March 2021).

❖ 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

These will be waived until 30 September 2021 (cf. decree dated 18 March 2021) if the debtor of a pending tax payment is directly affected by COVID-19.

OTHER MEASURES BY THE FEDERAL MINISTRY OF FINANCE

❖ Memorandum of Understanding for cross-border commuters (several decrees)

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, Poland and Switzerland.

The agreement with **Austria** also includes a clarification that pandemic-related home office activities of an employee **do not** establish a permanent establishment in the meaning of Art. 5 of the treaty (= Art. 5 OECD-MC) for the employer.

For current German tax news, visit:
<https://www.fgs-blog.de/category/english-content/>

Federal Ministry of Finance's website (English):
<https://www.bundesfinanzministerium.de/Web/EN/Home/home.html?jsessionid=6AF660D00CE6BCFE2BA1F733945D385A.delivery2-master>



GERMANY

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extension of deadline for wage tax registration (decree dated 23 April 2020)

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.

Extension of deadline for income tax returns (law)

The deadline for filing income tax returns prepared by tax advisors/lawyers for the year 2019 usually ends on 28 February 2021. Initially, the Federal Ministry of Finance has extended the deadline by one month to 31 March 2021 with a decree. Meanwhile, legislation was implemented that provides for an extension by six months to 31 August 2021. Interest on tax assessments are not to be charged until 1 October 2021.

CORONA TAX ASSISTANCE ACT (“CORONA-STEUERHILFEGESETZ”)

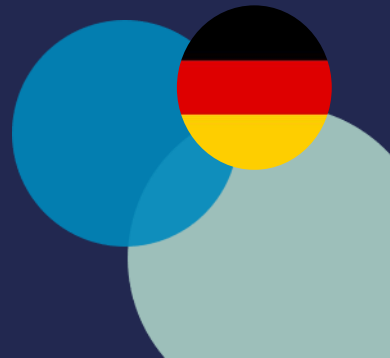
On 6 May 2020, the Federal Government adopted the Corona Tax Assistance Act. Among other things, the new law provided for the following:

❖ 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. Annual Tax Act 2020 which was enacted at end of 2020 provides for an extension of the time period until 1 January 2022.



GERMANY

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extended retroactive tax period for reorganisations

In accordance with the provisions of the German Commercial Reorganisation Act, the retroactive tax period for reorganisations and contributions under the German Reorganisation Tax Act is extended from eight to 12 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 eight) months. The Federal Ministry of Finance (which is authorised to expand this rule for 2021) has announced that the 12 month retroactive contribution shall also be applicable for contribution agreements made in 2021.

❖ 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 (i) employees receive the bonus between 1 March 2020 and 31 December 2020 and (ii) the bonus is paid in addition to the wage owed under the employment contract. Annual Tax Act 2020 which was enacted at end of 2020 provides for an extension of the time period until 30 June 2021.

Please also note that importantly:

❖ Germany **did not** opt to extend the deadline for the notification obligations for cross-border tax arrangements (“DAC6”)

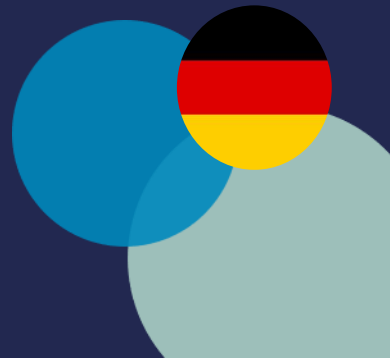
In accordance with the announcement by the EU Commission, the deadlines for the notification of cross-border tax arrangements were to be extended for three months. The Federal Ministry of Finance is authorised to adapt the legal deadlines for the notification obligations in accordance with the EU proposals (Verordnungsermächtigung). However, the Federal Ministry of Finance **did not extend the deadline**.

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 are 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%.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extended tax loss carryback

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

❖ 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 the Corona crisis. As a rule, it can be assumed that the taxpayer is affected by the Corona crisis if the tax prepayments for 2020 have been reduced to €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 €5 million or, in the case of a joint assessment, €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.

❖ Degressive depreciation for movable fixed assets

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.

ANNUAL TAX ACT 2020 (enacted on 21 December 2020)

Annual Tax Act 2020 i.a. provides for a “working from home” deduction: employees can deduct €5 for each “home office” day, but a maximum of €600 per year. The deduction is granted for 2020 and 2021. The employee lump sum of €1,000 is not increased by the €600 “home office”-lump sum.

THIRD CORONA TAX ASSISTANCE ACT (“DRITTES CORONA-STEUERHILFEGESETZ”)

A further tax assistance act was enacted on 10 March 2021. Among other things, the law provides for the following changes:

- **Reduction of VAT (7%)** on food (but not beverages) served in restaurants, cafés or bars is extended until **31 December 2022**.
- **Extension of the tax loss carryback** for 2020 and 2021 to €10 million or, in the case of a joint assessment, €20 million. (Also applicable for expected losses in 2020, see above).



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

TAX AND SOCIAL SECURITY MEASURES : INTRODUCED PRIOR TO THE LOCKDOWN ON 06.11.20

❖ Extension of payment of tax liabilities

Payment deadline of VAT amounts and tax liabilities arising from assessed debts and instalments of settlement schemes that were due between 11 March and 30 June 2020 which were subject to initial extensions expiring by the end of October have been further extended until 30 April 2021.

As regards especially affected enterprises that have their seat in a Level 4 Regional Unit for precautionary measures for at least 14 days, the above payment deadline extension to 30 April 2021 also applies for VAT amounts due between 1 October and 30 October 2020.

During the extension period no interest and surcharges shall apply. The measures concern affected enterprises based on Business Activity Codes ("KAD") prescribed in relevant Ministerial Decisions.

❖ Extension of payment of social security contributions

The payment deadline of February, March and April social security contributions subject to initial extension until the end of September, October and November respectively has also been further extended until 30 April 2021.

During the extension period no interest and surcharges shall apply. The measures concern affected enterprises based on Business Activity Codes ("KAD") prescribed in relevant Ministerial Decisions.

❖ Further extension of payment of tax liabilities and social security contributions until 31.12.2021

By virtue of Press Releases issued on 11 February 2021 by the Ministry of Finance and Ministry of Labor, a further payment extension of the existing tax and social security liabilities, already deferred until 30 April 2021 as per the above, by 31 December 2021 has been announced. Following such extension, a settlement scheme will be possible for payment of these in either twenty-four (24) interest-free instalments or forty-eight (48) instalments at 2.5% interest rate while the first instalment will be due by 31 January 2022. Official guidelines for the payment extension of tax liabilities have been recently issued. For social security contributions, a Decision has been recently issued setting the updated payment deadline of 31.12.2021 applicable on the February – April 2020 amounts due.

❖ New framework for settlement of tax liabilities

A new framework for the settlement of tax liabilities and instalments, whose payment has been suspended due to Covid-19 measures, is introduced, providing favourable terms. Such framework concerns affected enterprises based on the Business Activity Codes ("KAD") list.

Tax liabilities falling within the new framework may be paid in 12 interest-free instalments or 24 instalments under 2.5% interest rate, while the minimum monthly instalment amount of the scheme is set at €30.

Additional conditions and implementation details will be determined by a relevant Ministerial Decision which is yet to be introduced.

Zepos & Yannopoulos Covid-19
| Resource Center
<https://zey.com/Covid-19-Resource-Center>

Official government website for
covid-19 issues, tax and labor
measures link:
<https://covid19.gov.gr/category/oikonomia-ergasia>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

TAX AND SOCIAL SECURITY MEASURES : INTRODUCED AS OF THE LOCKDOWN ON 6 NOVEMBER 2020

❖ Extension of VAT payment due in November

For enterprises whose operation is suspended by virtue of State decision, the payment deadline for VAT amounts due in November is extended until 30 April 2021. Payment can be made either in 12 interest-free instalments or 24 instalments at 2,5% interest rate, starting from May 2021 onwards. A further payment extension of the above liabilities by 31 December 2021 has been recently introduced.

❖ Extension of payment of tax and social security liabilities instalments of settlement schemes due in November - December 2020 and January – April 2021

Payment of instalments of tax and social security liabilities based on settlement schemes due in November is extended until the end of the settlement scheme based on the conditions and applicable number of instalments of each settlement scheme which typically differ for different individual and corporate taxpayers. This measure concerns enterprises whose operation is suspended by virtue of State decision. For all affected enterprises based on the Business Activity Codes ("KAD") list, the recently voted settlement scheme which covers previous months' liabilities shall apply.

The above extension shall also apply for instalments of settled tax liabilities payable in November of employees whose employment contract is under suspension. These will be paid in respective instalments at the end of the settlement scheme.

The above measure has been extended for instalments of settlement schemes of the above enterprises and employees due in December 2020, January 2021, February 2021 and March 2021 while payment thereof will be deferred until the last working day of the month following the last instalment payment deadline, respectively. Extension to the measure for April 2021 instalments has been recently introduced by virtue of a relevant Decision setting the implementation guidelines in this respect.

❖ Reduction of November and December rents by 40%

Legal entities and individuals affected by COVID-19, i.e. entities whose operation is suspended and employees, whose employment contract is suspended, are entitled to pay 60% of the rent for November for their premises and main residence respectively. The same applies for the rent of the student accommodation of their children.

For landlords who will receive a reduced rent as per the aforementioned, 50% of their loss will not be offset against their tax obligations, but will be credited directly into their bank accounts and will be non taxable. Moreover, landlords will not be taxed for any amounts of rent not received due to the application of the rent reduction measure. The above measure has been extended for December rents under the same conditions. Moreover, a Ministerial decision issued on 11 January 2021 provides the process for the receipt of 50% of the rents not collected as of November onwards, addressing also relevant prerequisites/conditions that should be met.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

TAX AND SOCIAL SECURITY MEASURES : INTRODUCED AS OF THE LOCKDOWN ON 6 NOVEMBER 2020

❖ Reduction of January, February, March, April and May 2021 rents by 100%

Based on recently enacted law provisions, the measure of reduction of rents has been extended to also cover January, February and March 2021 rents for affected enterprises. This time, however, the reduction is equal to 100% (exemption from payment) while the agreed rent will be reimbursed to the landlords by the Greek State at the level of 80% for individuals and 60% in the case of legal entities, respectively, in order to mitigate their loss. The reimbursement of part of the rent not received as per the above will not be taxable. Ministerial decisions have been issued addressing further guidelines and details of implementation for January – April 2021 rents. An extension to the measure for May 2021 rents for certain businesses has also been announced while further implementation guidelines are expected in this respect.

❖ Extension of VAT liabilities due in November - December 2020 as well as January – April 2021 for post-dated cheques holders

For enterprises holding post-dated cheques which have been suspended for 75 days and their total value exceeds 20% of the average monthly turnover of the previous fiscal year, the payment deadline for VAT amounts due in November and December is extended until 30 April 2021. Moreover, the payment of instalments of VAT liabilities based on settlement schemes due in November is also extended for the above enterprises by one month as of the last instalment payment deadline, while for those due in December it is suspended until the following month of the aforesaid November instalment payment deadline. The above measure has been extended to cover VAT liabilities due within January – February, March, and, very recently, April 2021 while payment deadline thereof expires by 31 May 2021, 30 June 2021 and July 2021, respectively.

❖ Treatment of 25% discount of VAT and settled debts as non-taxable revenue

The Greek tax authorities clarified that enterprises should not treat as taxable the extraordinary revenue arising from the 25% discount offered for timely payment of the March 2020 or Q1 2020 VAT and other settled debts in the context of the Legislative Act dated 11.03.2020. The reasoning based on the guidelines issued is that the discount has been adopted in order to support those businesses that have suffered serious economic implications from the Covid-19 pandemic, therefore should not be taxable at the same time. Likewise, it is not to be taxed in case of distribution or capitalisation, as it may not qualify for business income.

❖ Highlighting one practical development arising from the Covid-19 pandemic :Steps towards digitalisation of the Greek tax administration

Throughout the COVID-19 pandemic, the measures introduced by the Greek State have led to a transformation of the Greek digital landscape. As regards especially tax authorities, new digital applications are available with respect to tax filings, obtaining digital documents/certificates and submission of tax applications (e.g. digital issuance of tax authenticator key, issuance of e-authorisation, application for financing schemes etc). In this context, Greek tax authorities have also digitalised their internal procedures and processes by using available technology tools (e.g. booking appointments for taxpayers visits through e-mails, telework etc). Digital steps have also been taken as regards the procedures applied in latest tax audits whereby a quite significant part of the process is performed through digital means (e.g. submission of documents requested and contacts with the tax auditors through e-mails or other electronic platforms etc).



OVERVIEW OF PUBLISHED COVID-19 MEASURES

TAX AND SOCIAL SECURITY MEASURES : INTRODUCED AS OF THE LOCKDOWN ON 06.11.20 (continued)

❖ Summary of tax liabilities and social security contributions extension of payment

The table below sets out the various extension dates across the different taxes for affected enterprises:

| Tax/social security liabilities | Initial payment extension | Further payment extension |
|--|---|--|
| VAT amounts due between: 11.03.2020 - 30.04.2020 01.05.2020 - 29.05.2020 01.06.2020 - 30.06.2020 01.11.2020 – 30.11.2020 | 31.08.2020 30.09.2020 31.10.2020 N/A | 31.12.2021 |
| VAT amounts for enterprises seated in level 4 Regional Unit due between: 01.10.2020 – 30.10.2020 | N/A | 31.12.2021 |
| Tax liabilities (assessed debts/settlement instalments) due between: 11.03.2020 - 30.04.2020 01.05.2020 - 31.05.2020 01.06.2020 - 30.06.2020 | 31.08.2020 30.09.2020 31.10.2020 | 31.12.2021 |
| Social security contributions of: February 2020 March 2020 April 2020 | 30.09.2020 31.10.2020 30.11.2020 | 31.12.2021 |
| Tax & social security liabilities (settlement scheme instalments) due between: 01.11.2020 – 31.12.2020 01.01.2021 – 30.04.2021 | N/A | Until the end of the settlement scheme |
| VAT liabilities of holders of post-dated cheques due between: 01.11.2020 – 31.12.2020 01.01.2021 – 28.02.2021 01.03.2021 – 31.03.2021 01.04.2021 – 30.04.2021 | N/A | 30.04.2021 31.05.2021 30.06.2021 31.07.2021 |



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The extraordinary legal order due to COVID-19 has been extended by the Hungarian Government since 22 February 2021.

In addition to tax announcements, it is important to highlight from a practical perspective in terms of doing business and the impact on economic activity, that many other rules are in place: mask wearing has been significantly tightened, lockdown between 8pm and 5am, prohibition of assembly, it is forbidden to organise events, restrictions on sporting events, restaurants can only offer takeaway/delivery, schools have moved to online education and many shops are closed.

A number of new tax incentives were introduced or have been extended in order to preserve jobs, stabilise the economy, especially in the vulnerable sectors, in addition to existing measures. We summarise the most important newly introduced measures, as well as presenting the main ongoing previous rules. However, the list is not exhaustive.

❖ Tax benefits, credits, wage subsidies

Tax credits: with extended sectoral scope (e.g. for retail industry and to shops that had to be closed) social contribution tax, vocational training contribution, rehabilitation contribution are not payable within the emergency period. Similarly, the personal payments (that would originally be part of the normal tax base) are not included in the small size enterprise tax ("KIVA") base, reducing it to help small and most affected companies. 50% of wages may be available as state subsidies to keep workplaces running. The tax credits and subsidies is available for the most vulnerable sectors, with further conditions.

❖ Reduction of local business tax

Normally, a local business tax of up to 2% is payable over the adjusted turnover to the local municipalities, which is centrally limited at 1% for SMEs with a turnover or balance sheet total below HUF 4 billion. The reduction is already available from the prepayments, and latter on from the yearly tax obligation.

❖ Support for the tourism sector, restaurants

Suspension of tourism development contribution and tourist tax, which would normally be 4% of the net turnover. Maintain the fringe benefit threshold to HUF 800,000 (from the yearly threshold of HUF 450,000 in the public sector) spend in tourism, restaurants and recreations). No social tax and voluntary training contribution are payable until 30 July.

5% VAT for takeaway food (if it would otherwise fall under this reduced rate if consumed in the restaurant) instead of the normal 18/27%.

❖ Investment incentives

A tax credit for investments is available for CIT purposes by way of development reserves. State subsidies are available for new investments and for maintenance / increase of employment for companies economically affected by the pandemic.

❖ Tax free donations

Tax reliefs grants personal income tax exemption at the individuals receiving them. Simultaneously, costs of granting such donations are acknowledged cost in CIT and small size enterprise tax ("KIVA"). Moreover, these may be provided without VAT payment liability with the possibility to deduct the input VAT for the granting corporations. As a precondition; however, the tax authority must be notified within 60 days in a given form following the donation.

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[Corona website of the Hungarian Government: click here](#)



HUNGARY

FUTURE TAX MEASURES

❖ Financing opportunities, state aid measures

The debt moratorium has been extended until 30 June 2021 for unemployed, retired person, parents with children, pregnant persons, public employee, for companies and entrepreneurs.

Preferential loan programs: acquisition of assets, reconstruction, modernisation, venture equity financing, technology development, innovation, comparativeness aid, wage subsidy to creating jobs, increase efficiency financing supported by Hungarian National Bank, Hungarian Development Bank or the Government; presented also for small, medium and large enterprises.

There are various state aid measures, for example, for investments, entrance of export markets, energy efficiency etc., however these are always changing so, specific consultation is advisable.

❖ New taxes

Retail surtax reintroduced on a permanent basis since 11 June 2020, the tax is payable according to the net sales revenues with progressive tax rates of 0-2.5%
Surtax of financial institutions: increased to 0.19% on a temporary basis, with the possibility to offset in the future (access amount paid for 2020 to recover from 2021, in equal annual instalments, in the form of tax withholding as a tax deduction).

❖ Tax law changes

Social contribution tax: a further decline is expected as from 1 January 2021 (15.5 \Rightarrow 13.5%) and 1 January 2022 (13.5 \Rightarrow 11.5%).

Small business tax: as of 1 January 2021, tax rate for small business tax ("KIVA") reduces from 12% to 11%.

5% VAT rate (reduction from the 27% general rate) on real estate investments: expected on residential newly built houses in general and in rust belt area.

Tax administration: increase of automatic instalment payment threshold for businesses (from HUF 1.5 million to HUF 3 million).

Online invoice data submission: obligatory will be extended to all invoices as of 1 January 2020 (including B2B and B2C invoices irrespective of the VAT content).



HUNGARY

FUTURE TAX MEASURES

❖ DAC6

DAC6 has already been implemented, with postponed reporting deadlines due to the pandemic, as follows:

- 28 February 2021: for cross-border tax arrangements implemented between 25 June 2018 and 30 June 2020;
- Within 30-days (from 1 January 2021): for cross-border schemes implemented between 1 July 2020 and 31 December 2020, and since then constantly;
- 30 April 2021: for the so-called marketable constructions;
- 30 April 2021: exchange of information between Member States for cross-border structures.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

Relief measures and relaxations by the administration cumulates to ~₹ 20t (~\$300b) and have been pumped into the mainstream through fiscal/financial and social measures. Various compliance relaxations and financial reliefs have been promulgated through a Taxation & Other Laws Ordinance as well as other notifications/circulars in response to the economic impact of COVID-19. Below we set out the main measures:

STATUTORY DUE DATES AND LIQUIDITY MEASURES

❖ Income Tax

The due dates for various compliance matters such as tax payments, filing of returns (that of income for FY20 and other quarterly returns and statements, etc) as well as statutory timelines for notices and assessments have been suitably extended up to 31 January 2021. The deferral, for payments, is coupled with NIL/ lower interest rates and waiver of penalties. The due date for filing of annual accounts & annual return by corporates also suitably extended (can now be filed within 60 days of conducting the Annual general meeting, the last date for which is 31 December 2020).

The due date for investments, for tax deduction for FY20, was extended up to 30 June 2020.

Reduction in rate of withholding by 25% (of prescribed rates) in case of resident payments (other than salary) with immediate effect through FY 21.

Payment to be made for availing amnesty scheme extended up to 31 December 2020. The scheme could be utilised to foreclose any positions taken voluntarily or even those in litigation.

❖ Goods and Services Tax

The due dates for various compliance matters such as tax payments, filing of returns etc, have been extended. The staggered plan for filing returns and payment of taxes was extended up to September 2020. The deferral is coupled with waiver of/ lower interest rates.

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 – for due dates falling under the Covid period, the extension was available up to 31 September 2020. Subsequently, as a trend its being seeing additional delays are also be condoned by the appellate forum (this, however, is discretionary and depends on case to case)

GST e-invoicing/ QR Code on B2B invoice can now be implemented on or before 1 April 2021, and no penalties for the prior period would be imposed.

Whilst a number of the deadlines above have now expired these remain referenced as these may of relevance for future tax authority audits or for example, in due diligence processes.

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](#)

ELP report on nuances around “Make in India” inter-alia highlights several advantages for, why the production base of businesses should shift to India – [click here](#) to read the report



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Deferral of Implementation of Certain Measures

GAAR and GST reporting under the Income Tax Audit Form has been deferred by a year.

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

It has been 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. For individuals unable to leave India, generally, a period of stay over 9 days between 22 March 2020 through 31 March 2020 would not be considered.

❖ Refunds

There are policy-level instructions to tax authorities to (a) disburse old claims with immediate effect and fresh claims within 2-3 months of filing on a best effort basis to ensure that no working capital (of businesses) is blocked in tax refunds.

❖ Customs & Foreign Trade Policy

E-delivery of gate passes and final bill of entry to importers or custom brokers to further reduce human interface.

Foreign Trade Policy 2015-20 extended up to 31 March 2021

The period to claim incentives, exemptions, benefits and fulfil obligations etc over the intervening period of February to July 2020 has been extended by 3-12 months. Illustratively, Exemption to imports made under Advance Authorisation / EPCG license for physical exports from India, was previously exempted from IGST and compensation cess up to March 31, 2020 only. This exemption has now been extended up to March 31, 2021; The validity period for qualifying imports against EPCG licenses, if otherwise expiring between February 1, 2020 and July 31, 2020 (both dates included), would now stand automatically extended by six months from the date of original expiry, etc

Grant an extension of six months, as a one-time relief in all SCOMET export authorisations involving technology transfer expiring by 30 September 2020.

The timelines for filing of a petition/application for initiation of a sunset review of anti-dumping duties from present 270 days revised to 180 or 120 days and corresponding decision would also be made in an expedited manner on best effort basis.

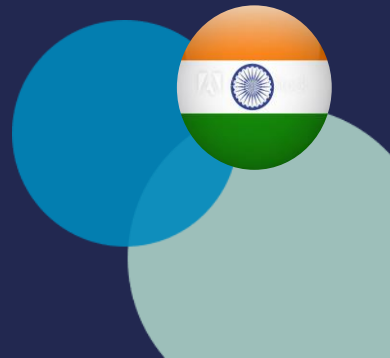


INDIA

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Tax Authority and Taxpayer Engagement : Practical Measures

A faceless assessment and appeals process has been implemented and a Taxpayers Charter has been introduced with an intent to cut down on the difficulties faced in assessments for "honest taxpayers".



INDIA

FUTURE MEASURES

TAX MEASURES

❖ Proposals in works

Addressing minimum alternate (income) tax issues for FY20/FY21.

Policy level works are in progress regarding customs duty measures for importation of goods, to safeguard domestic industry in these difficult economic times, expect

- Safeguard measures such as increased tariff, anti-dumping duties, etc.
- Enhanced Coverage of mandatory quality standards.

❖ Clarifications on enhanced coverage under Equalisation Levy (“EL”)

While the scope of EL has recently been expanded to e-commerce transactions, clarification to manage the outcomes arising from this expansion can be expected soon.

OTHER MEASURES

- ❖ Credit Guarantee Schemes introduced for businesses.
- ❖ Special liquidity window for financial institutions.
- ❖ Waiver of interest on interest for loans up to a defined threshold.
- ❖ Extended financial benefits for employment generation as well as re-employment of employees affected by COVID retrenchment. This includes certain social security contributions.
- ❖ Production link incentives announced for several new sectors with latest being air-conditioners, telecom equipments, etc.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

It has been over a year since 13 March 2020, where the Indonesian Government began its regulatory measures in curbing the economic effects of COVID-19. Tax relief facilities have been extended through 2021, periods of validity for each tax type have been stipulated, along with conditions and rates valid for such facilities.

FISCAL AID AND RELIEF

❖ Extension on Tax Incentives as COVID-19 Measures issued in 2020

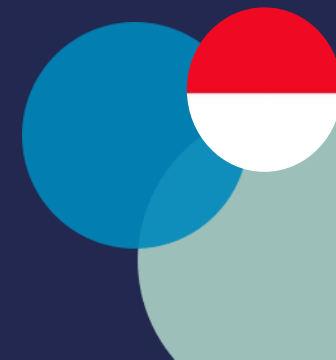
- Taxes Borne by the Government – extended up to 30 June 2021
 - Article 21 Income Tax borne by the Government for certain eligible fixed employees with annual income below IDR 200 million.
 - 0.5% of Final Income Tax for MSMEs will be borne by the government.
 - Final Income Tax on construction services, specifically those under the Acceleration Program to Improve Irrigation Water Utilization will be borne by the government.
- Exemptions, Refunds and Reductions – extended up to 30 June 2021
 - Article 22 Income Tax Exemption on Imports
 - 50% reduction on Article 25 monthly Income Tax installments for certain eligible taxpayer
 - Preliminary refunds on VAT Overpayment for Low-Risk Taxable Entrepreneurs with a maximum of IDR 5million per month
- Tax facilities on goods and services need for handling Covid-19 – extended up to 31 December 2021
 - Valid for pharmaceutical industry producing vaccines/ medicines related to Covid-19, government agency/ institution, hospital or other party as intended
 - VAT borne by Government
 - Article 22 Income Tax Exemption on Imports

Directorate General of Taxes,
Republik of Indonesia: [click here](#)

Ministry of Finance, Republik of
Indonesia: [click here](#)

[https://www.pbtaxand.com/assets/
uploads/files/1596536435](https://www.pbtaxand.com/assets/uploads/files/1596536435)

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

FISCAL AID AND RELIEF (CONTINUED)

❖ Additional Tax Incentives Issued in 2021

- Exemptions, Refunds and Reductions

- Following the Omnibus Law, recently passed in the beginning of 2021, reductions on bond interest withholding rates have been issued. Through Government Regulation (GR)-9, a reduction of 10% (or a rate stated in a valid tax treaty) will be implemented on interest paid on bonds. This rate applies to all income that are considered as bond interest, and will be effective for the 6 months following the issuance of this regulation.

❖ Tax Incentives on the Purchase of Motor Vehicles and Real Estate

- **Certain Car Purchases:**

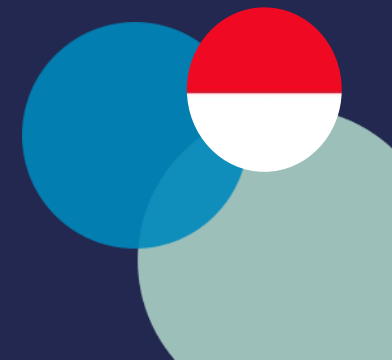
MoF No. 20/PMK.010/2021 was issued with regards to Sales Tax on Luxury Goods on certain motor vehicle purchases; i.e. sedans or station wagons with a cylinder capacity of up to 1,500 cc, and transport vehicles (aside from sedans or station wagons) that carry less than 10 people with a cylinder capacity of less than 1,500 cc. Eligible vehicles must meet the 70% local purchase requirement. Rates will depend on the period of purchase.

- **Real Estate Purchases:**

MOF No. PMK-21 was issued with regards to VAT borne by the government on landed house/flat residential units. Eligible purchases must be at a selling price of IDR 5billion and below; must be ready-to-use; must be first-hand purchase and should not have been previously handed over. Rates will depend on period of purchase and selling price.

❖ Taxation Treatment in Trade Activities via Electronic Systems (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 at a rate of 10%. 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. As of 15 December 2020 there have been 46 appointed VAT PMSE Collectors.
- PMSE entrepreneurs who have a transaction value, with buyers in Indonesia, amounting to IDR 600million (est. USD 42,400) annually or IDR 50million (est. USD 3,500) monthly and/or with a volume of traffic in Indonesia that exceeds 12,000 annually or 1,000 on a monthly basis, will have to voluntarily register themselves if they have not been appointed by the MoF as VAT PMSE Collectors.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

FISCAL AID AND RELIEF (CONTINUED)

❖ Stimulus Loans

- The Government has introduced extended relief for companies through MoF Regulation No. 32 of 2021 that will allow working capital loans of up to IDR 5billion. This incentive will be available for companies that fulfill the requirements of having over 50 employees; being incorporated as a legal corporate entity; not listed on the national blacklist, as well as prove to be negatively affected by the COVID-19 pandemic. Businesses may prove such negative effects by providing proof of decline in sales/profits during the pandemic; the business being located in a place heavily affected by COVID-19; the business being involved in the industries considered by the government to be heavily affected by the pandemic; business activities having halted or suspended at some capacity due to COVID-19, and having been unable to receive loans through other means.

❖ Omnibus Law

- On Feb. 2, 2021, Government Regulation No. 9 of 2021, was issued as one of the regulations of the Omnibus Law that covers taxation. MoF No. PMK-18 of 2021 was also issued shortly after to reiterate the implementing rules with regards to Income Tax, VAT and General Tax Provisions and Procedures under the newly promulgated Omnibus Law.

OTHER MEASURES

❖ Omnibus Law on Job Creation

On 2 November 2020, Job Creation Law No. 11 Year 2020 was enacted. It is also called as 'omnibus law' in Indonesia. It is comprised of 15 chapters, including the improvement of investment ecosystem and businesses; protection and empowerment of cooperatives and UMKM; employment; ease of doing business; national fiscal policies; research and innovation support.

The taxation stipulations of this law (Chapter 7) are expected to increase the total tax collection through increased foreign investments; improved tax compliance; assure legal certainty for taxpayers and allow fair business measures.

On 20 February, 2021, the State Secretariat announced that 45 government regulations and 4 presidential decrees have been signed and approved by President Joko Widodo, which include labour issues; specifically for foreign workers, worker-employer relations, worker remuneration and unemployment funds. Such issues were addressed in the amended 2003 Manpower Law, through the recently issued Job Creation Law. This is in hope of regaining control and improving the current business climate in Indonesia.

On Feb. 2, 2021, Government Regulation No. 9 of 2021, was issued as one of the regulations of the Omnibus Law that covers taxation. MoF No. PMK-18 of 2021 was also issued shortly after to reiterate the implementing rules with regards to Income Tax, VAT and General Tax Provisions and Procedures under the newly promulgated Omnibus Law.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Irish Revenue Procedures

For businesses who have been unable to trade due to Covid-19 restrictions there will be a “warehousing” of tax liabilities for a period of twelve months after recommencement of trading has been introduced. During this period there will be no debt enforcement action taken by Irish Revenue. Around 85,000 business have availed of the scheme, delaying payment of €2.3 billion in tax.

The Irish Revenue has suspended tax audit and other compliance intervention activity on taxpayers' premises until further notice.

The Irish Revenue has 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. 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 30 June 2021 and there will be no restriction of reliefs (such as loss relief and group relief) due to the late filing.

❖ Exchange of Information

The Irish 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). 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.

❖ Trans-Border Worker Relief

This relief is for Irish residents who work and pay tax in another country. Where the worker travels daily or weekly outside of Ireland for work then their tax paid abroad can be taken into account. 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. On 21 December 2020 Irish Revenue confirmed that this concession will continue to apply for 2021.

❖ 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). In determining whether an individual was tax resident in Ireland in 2020, the Irish Revenue have clarified that where a departure from Ireland is prevented due to Covid-19, the Irish Revenue will consider this force majeure. On 21 December 2020 Irish Revenue confirmed that this concession will not apply to individuals who entered Ireland on or after 6 May 2020. It is mandatory that individuals must have left Ireland as soon as they reasonably could. This must have happened by 1 June 2020, unless the individual had actually contracted Covid-19 and was not able to leave.

[Irish Government's Website](#)

[Irish Revenue's Website](#)

[Irish Department of Business,
Enterprise and Innovation's Website](#)

[William Fry's Covid-19 hub](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Corporation Tax and Presence in Ireland or Outside Ireland Resulting from Covid-19 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 a company in relation to which the individual is an employee, director, service provider or agent.

❖ Commercial Rates Waiver

The initial three-month waiver of commercial rates, beginning on 27 March 2020, for businesses that have been forced to close due to public health requirements has since been extended several times. This relief is due to expire on 30 June 2021.

JULY STIMULUS PACKAGE

❖ Corporate Tax Loss Relief

The stimulus plan provided 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. Businesses may estimate their losses for certain accounting periods and then carry back 50% of those losses against profits of the preceding period. This will provide a cashflow support to previously profitable companies experiencing losses due to the COVID-19 pandemic. The claim is made through the corporation tax return of the preceding period, supporting documentation is not required, however Revenue may request to inspect records. In 2020, 184 companies claimed this relief in respect of €58 million paid in corporation tax.

❖ Income Tax Relief

The stimulus plan introduced new once-off income tax relief measures for self-employed individuals to provide liquidity. It is estimated that this will result in a liquidity boost of €150 million in 2020 for those affected. Self-employed individuals can claim to have their 2020 losses carried back and deducted from their 2019 profits, up to a maximum of €25,000. Interim claims may also be made based on an estimate of 2020 losses. Claims should have been made via the Form 11 tax return for 2019.

❖ Measures for Businesses

The Irish government introduced a range of business support measures. These include grants and the establishment of a Pandemic Stabilisation and Recovery Fund as well as a Covid-19 Credit Guarantee Scheme to support lending to large enterprises and SMEs. Loans up to €1.5 million for larger enterprises are available, as well as small business loans of up to €50,000.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Pandemic Unemployment Payment (“PUP”) & Employment Wage Subsidy Scheme (“EWSS”)

The PUP has been introduced for those made unemployed by the COVID-19 pandemic and has been extended to 30 June 2021. The amounts payable under the PUP are set to reduce over several stages. From January 2021 those in receipt of the PUP will be able to check the amount received and access a preliminary calculation of tax owing. Any liability can be paid to Revenue online, or alternatively the recipient can have their tax credits reduced over a four-year period beginning January 2022.

The EWSS grants employers a subsidy, to help pay employees, where the business has experienced a 30% reduction in turnover as a result of Covid-19. To date the EWSS has paid out €2.922 million to 48,900 employers in respect of 555,100 employees. The EWSS has also recently been extended to 30 June 2021.



IRELAND

FUTURE MEASURES

BUDGET 2021

Ireland's budget was announced on 13 October 2020. The main focus was introducing tax measures to lessen the impact of Covid-19 on individuals and businesses. It was also drafted on the assumption of a No-Deal Brexit.

❖ Covid Restrictions Support Scheme ("CRSS")

Included in Budget 2021 was the CRSS which is aimed at businesses who have had to reduce or cancel their operations as a result of Covid-19 restrictions. Cash payments based on the amount of turnover of the business, up to €5,000 a week, can be applied for from 13 October 2020 to 30 June 2021. To date 22,300 businesses have signed up for the CRSS, claiming payments totalling 498.5 million.

❖ VAT

Budget 2021 introduced a temporary reduction of VAT for tourism and hospitality items from 13.5% to 9%. This change will be in effect from 1 November 2020 to 31 December 2021.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The following is an overview of the main economic and tax measures implemented by the Israeli Government and legislator pursuant to a state of emergency that was declared on 15 March 2020 (and has been prolonged since on several occasions) due to the spread of the Covid-19 disease and the resulting economic effects.

The Israeli Government has applied several measures in order to compensate businesses that suffered a downturn due to the Coronavirus and to ease the access to capital. The measures described below are not exhaustive and certain additional measures to provide financial support to Israeli residents have also been implemented.

❖ Cash grants to businesses

Businesses and companies that suffered a significant downturn in revenue due to the Coronavirus and satisfy certain other criteria are eligible to apply for grants to compensate for lost income. The grants are payable for bimonthly periods and are calculated based on the reduction of revenue for the applicable period, fixed costs paid by the business and cost savings.

Business that re-hired employees who were put on unpaid leave or hired new employees during the months of June-July or September-October are generally eligible for a grant, which is calculated based on the increase in number of employees. The grant is subject to some conditions, mainly with respect to continuing employment for a minimal period of time.

❖ Government guaranteed loans

The Israeli Government has approved several programmes pursuant to which the Government guarantees commercial loans in favourable terms that are extended to eligible businesses and companies.

❖ Extensions of deadlines and time periods

Certain time periods with respect to taxes that were due to end during the period from 22 March 2020 to 30 July 2020 were automatically extended by 70 days.

Israeli Ministry of Finance:
<https://www.gov.il/he/departments/topics/corona-ministry-of-finance>

Israel Tax Authority:
<https://govextra.gov.il/taxes/rachelku/taxes-corona/>



FUTURE TAX MEASURES

❖ Accelerated depreciation

The Ministry of Finance published new regulations which provide for accelerated depreciation rates for equipment. Under the new regulations, any taxpayer that acquired equipment (including machinery and certain vehicles, but excluding trucks and intangible assets) during the period starting on 1 September 2020 through 30 June 2021, shall be eligible to double the regular rates of depreciation with respect to such equipment, subject to some additional conditions.

❖ Overhaul of international taxation provisions

The Israel Tax Authority has appointed a committee to review the need to reform the Israeli international tax regime. The recommendations of the committee are expected to be officially published in the coming weeks/months and would aim to curb the erosion of the Israeli tax base. The final report is expected to include extensive recommendations regarding a broad scope of issues, such as tax residency, exit tax, CFC rules, implementation of BEPS, the foreign tax credit system and more. At least some of the recommendations would probably require legislative action, but no official draft bill has been introduced yet.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

In order to face the economic impact of COVID-19, the Italian Government approved several tax measures aimed at facing the effects of the Coronavirus pandemic. The main measures (other than those intended to delay the collection of certain taxes, mainly apply to small and medium enterprises) are summarised below:

❖ Corporate Income Tax and Tax Credits

Full deductibility for CIT and Regional Tax on Productive Activities ("IRAP") purposes, donations in cash and in kind made in 2020 to support the measures taken to face the COVID-19 emergency.

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 are converted into tax credits. The tax credit is granted to companies which transfer for consideration, by 31 December 2020, receivables, both commercial and financial, due from defaulting debtors.

Tax credit of 60% of the monthly amount of the rent of non-residential immovable properties used to carry out industrial, commercial, artisan, agricultural, tourism or professional activities. The tax credit is granted (i) to enterprises and self-employed whose revenues do not exceed €5 million in the tax period preceding the one in progress as at 19 May 2020; (ii) in relation to rent paid in 2020 in relation to the months of March, April, May and June. The same tax credit is granted to the enterprises carrying out activities specifically identified by Law Decree n. 137/2020 (e.g. restaurants, gyms, theatres and cinemas) and by Law Decree n. 149/2020 (e.g. retail sales and shopping centres), regardless the turnover limit, in relation to the months of October, November and December 2020.

Tax credit from 6% to 40% of expenses for the purchase of new qualified tangible and intangible assets instrumental to the exercise of the business activity made from 16 November to 31 December 2022 (or until 30 June 2023, if the purchasing order is accepted by the seller and the buyer has paid an instalment of at least 20% of the whole purchasing price by 31 December 2022).

In case of an increase of the capital of certain qualified companies, granting of a tax credit of 20% of the contribution, the receiving company can benefit from a tax credit equal to 50% of losses exceeding 10% of the net equity resulting from the financial statements for 2020. The tax credit cannot exceed 30% of the eligible capital increase.

Optional step-up in the 2020 financial statements of the values of tangible and intangible fixed assets (including non-depreciable fixed assets such as land) as well as participations, provided that the mentioned assets are included in the 2019 financial statements. The step-up can be executed only for accounting purposes or also for tax purposes, in the latter case a 3% substitute tax is due. Higher tax values are recognised for amortisation and depreciation purposes starting from fiscal year 2021, while for capital gain/loss purposes from fiscal year 2024. In addition, optional realignment of the tax value of the mentioned assets to their higher accounting value by paying a 3% substitute tax. Moreover, the provision extends the tax realignment also to goodwill and other intangible assets without legal protection.

[Italian Revenue Agency – COVID-19 section](#)

[Italian Collection Agent – COVID-19 section](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Indirect taxes

VAT charged on purchases of qualified pharmaceutical products and foodstuffs transferred for free to support the measures taken to face COVID-19 are fully deductible.

The supplies of certain qualified products needed to face COVID-19 made by 31 December 2020 are VAT exempt, with the right to recover VAT. Starting from 1 January 2021, the supplies of the mentioned products are subject to the reduced 5% VAT rate.

The import of certain qualified products needed to face COVID-19 are exempt from VAT and custom duties.

❖ Tax payments and other procedural measures

The payment of real estate tax ("IMU") first instalment 2021 due in relation to certain immovable property of the touristic and cultural sector has been cancelled.

In case of omitted payment of 2020 CIT and IRAP advance payments resulting from the application of the so-called forecast method, interest and penalties will not be due if CIT and IRAP paid is not lower than 80% of the CIT and IRAP due.

Except in case of urgency, the tax assessment deeds for which the statute of limitations expire between 8 March and 31 December 2020 should have been issued by 31 December 2020 but can be notified by the Italian Tax Authorities between 1 March 2021 and 28 February 2022.

In case of automatic assessments carried out by the Italian Tax Authority in relation to tax returns for fiscal years 2017 and 2018, it is possible to define the dispute without the payment of penalties and additional sums. The benefit applies to taxpayers with a VAT number who have had a reduction of more than 30% in the turnover of the year 2020 compared to turnover in the previous year.

The deadlines to execute the payment of the amounts due in accordance to orders of payments issued by the collection agent expiring between 8 March 2020 and 30 April 2021 (previously 28 February 2021) have been suspended. The suspended payments can be made in a single instalment by 31 May 2021 (previously 31 March 2021).

The notification of orders of payment and of other deeds of the collection agent is suspended until 30 April 2021 (previously 28 February 2021). The deadline to notify orders of payments is extended by two years.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ DAC6 and other international tax measures

DAC6 has been implemented in Italy but the time limits for the filing and exchange of information have been deferred because of the COVID-19 pandemic, in line with the option granted by Directive 2020/876.

❖ Agreements on Taxation of Cross-Border Frontier Workers

Italy has signed agreements with France and Switzerland on taxation of cross-border and frontier workers. The agreements read as follows: exceptionally and provisionally, for the application of paragraphs 1 and 4 of Article 15 (related to income from employment) of the double tax treaty, it is accepted that, due to the measures to prevent the spread of COVID-19, days worked in the State of residence at home on behalf of an employer located in the other Contracting State shall be deemed as days worked in the State in which the individual, in the absence of such measures, would have exercised its employment for which salaries are received.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

On 18 March 2020, the Luxembourg Government declared the state of crisis due to the COVID-19 pandemic. As from that date, several tax and non-tax measures were taken to guarantee the continuity of the Luxembourg economy and grant some flexibility to companies and individuals faced with practical and financial difficulties. Even though the state of crisis came to an end on 24 June 2020, several new laws were adopted since then in order to make sure that companies can still benefit from the measures introduced at the beginning of the crisis. The main tax and tax-related measures (other than those intended to extend deadlines in relation to the collection of taxes, the filing of tax returns, statutes of limitation and the filing of accounts) are summarised below.

ANTICIPATING POTENTIAL LEGAL AND TAX IMPACTS OF SOCIAL DISTANCING MEASURES FOR BUSINESSES

❖ Shareholder and directors' meetings taking place remotely

The law of 23 September 2020, as amended by the law of 25 November 2020, extends, until 30 June 2021, the possibility for companies to hold their general meetings and their management body meetings remotely. The law does not deal with the tax consequence of holding meetings remotely. However, from a tax point of view, this may shift the place of effective management, and thus the tax residence, of a company outside Luxembourg.

In its 3 April 2020 paper (which was updated on 21 January 2021) on the potential tax issues linked to telework, individuals stranded in a country that is not their country of residence and travel restrictions, the OECD considers that it is unlikely that the COVID-19 situation will create any changes to an entity's residence status under a tax treaty. A temporary change in location of the chief executive officers and other senior executives is considered as an extraordinary and temporary situation due to the COVID-19 crisis and such change of location should not trigger a change in residence (in particular, when the corporate tie-breaker rule is applied). According to the OECD, all relevant facts and circumstances should be examined to determine the "usual" and "ordinary" place of effective management, and not only those that pertain to an exceptional and temporary period such as the COVID-19 crisis. However, some countries start to be less tolerant on the scope of the force majeure created by the Covid-19 pandemic justifying the remote work (e.g. Belgium) and it cannot be excluded that the situation may last longer than initially expected. Therefore, it should be considered to organise board of director meetings in Luxembourg with the physical presence of Luxembourg resident directors on Luxembourg soil (the board of director meeting could be held via conference call or video conference). Non-Luxembourg resident directors may dial-in but should ideally not intervene and instead provide a proxy to the Luxembourg resident directors that can represent the non-resident directors.

❖ Cross-border commuters working from home

The protocols to the double tax treaties concluded by Luxembourg with Belgium, France and Germany provide rules allowing cross-border workers to perform their activity outside of their employment State (Luxembourg in most cases) for a maximum amount of days (19 days in Germany, 24 days in Belgium and 29 days in France) while remaining taxable in their employment State. Given that the maximum amount of days can easily be exceeded during the COVID-19 crisis due to travel restrictions and the requirement of "social distancing" resulting in many employees working from home and thus outside of Luxembourg, the Luxembourg Government concluded agreements with the 3 countries according to which the days spent outside of Luxembourg due to the current crisis would not be taken into account. These 3 agreements were initially concluded for a limited period of time and were renewed several times.

<https://www.atoz.lu/COVID-19>

[OECD Secretariat Analysis of Tax Treaties and the Impact of the COVID-19 Crisis](#)

[OECD Secretariat Updated guidance on tax treaties and the impact of the COVID-19 pandemic](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

As of today, the agreements with Belgium and France remain in force until 30 June 2021 and the agreement with Germany is renewed monthly automatically as from 2021. As far as social security is concerned, Luxembourg also concluded agreements according to which, until 30 June 2021, any day spent working from home due to COVID-19 will not impact the applicable social security rules. In other words, cross-border workers will remain subject to the social security legislation of their employment state and will not become subject to social security in their residence state even if they spend 25% or more (threshold applicable under the EU social security rules) of their working time in their residence state due to COVID-19.

While these measures are positive since they avoid potential individual tax and social security implications of home working during the crisis, businesses should keep in mind that employees working from another country than the country of residence of their employing company may create a permanent establishment of that company in the residence state of the employee.

Despite the recommendations made by the OECD in its paper of 3 April 2020 referenced above, since no measure was taken so far to clarify that home-working during the crisis has to be considered as a force majeure and thus should be disregarded when analysing whether there is a permanent establishment, Luxembourg companies should carefully monitor the activities performed by their employees outside of their tax residence state.

EXTENDING TAX COMPLIANCE AND REPORTING DEADLINES TO SUPPORT TAXPAYERS DURING THIS CHALLENGING PERIOD

❖ DAC6, CRS & FATCA deadlines

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").

❖ Deadlines for filing tax returns

2019 tax returns: as far as corporate taxpayers are concerned, on 21 December 2020, the Ministry of Finance announced that the Luxembourg tax authorities will request that their tax offices do not apply penalties for late filing provided that the 2019 Corporate Income Tax (CIT), Municipal Business Tax (MBT) and Net Wealth Tax (NWT) returns are filed by 31 March 2021 at the latest. As far as individuals are concerned, the law of 25 February 2021 allows the filing of the 2019 income tax and MBT returns until 31 March 2021.

2020 tax returns: for both individuals and corporate taxpayers, the law of 25 February 2021 extends the deadline for filing the income tax, CIT, MBT and NWT returns from 31 March 2021 to 30 June 2021.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

To-date, the Malaysian Government has introduced 3 economic stimulus packages, short term economic recovery plan (“PENJANA”) as well as various tax and other measures in response to the COVID-19 pandemic, in order to alleviate the impact of the pandemic on individuals and businesses. The current key tax and other measures, as well as general tax and other measures which were recently announced in Malaysia, are summarised below.

SUPPORT FOR INDIVIDUALS

❖ Introduction of employee retention programme

Financial assistance to employees (earning monthly salaries of RM4,000 and below) who have agreed with their employers to take unpaid leave as a result of COVID-19 (beginning 1 March 2020 and period ranges between one and six months, depending on unpaid leave notice issued by employers). Employers are required to apply for the benefit on behalf of their employees. The payment will be credited to the employers’ account and employers are required to directly credit the payment to the employees’ accounts within 7 days upon receipt of payment. Employers will be subject to legal action if they fail to do so.

SUPPORT FOR BUSINESSES

❖ Introduction of wage subsidy programme

A subsidy is provided to employers in all sectors for wages incurred on employees earning monthly salaries of RM4,000 and below, effective from 1 April 2020 to 31 December 2020. Employers are required to apply for the subsidy via the Social Security Organisation in Malaysia (known as “SOCSO”). Audits are carried out by SOCSO on the employers, to ensure full compliance to the prescribed conditions for the subsidy and that all documentation required is in order.

❖ Income tax rebate for new small and medium-sized enterprises (“SMEs”) for the first 3 years of assessment (“YAs”)

Rebate equivalent to the capital/operating expenditure incurred per YA, for SMEs which were incorporated and commenced operations from 1 July 2020 to 31 December 2021.

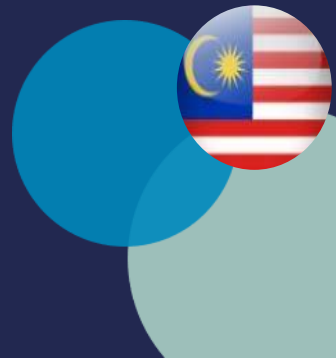
❖ Double deduction for pre-commencement expenses

Applicable for international shipping companies which incur expenses in setting up regional offices in Malaysia for applications submitted by 31 December 2021.

❖ Further deduction for implementation of flexible work arrangements

Covers consultancy fees, development costs (including training cost of employees) and purchase costs for virtual working environment software (for applications submitted from 1 July 2020 to 31 December 2022).

<https://tricoraxcel.com/insight-news/>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ **Special deduction for rental reduction for taxpayers (including companies and non-companies) who rent business premises to SMEs**

A special deduction is available, equivalent to the amount of rental reduction, applicable from April to September 2020.

❖ **Deduction or capital allowance for COVID-19 related expenses**

For personal protective equipment (e.g. face masks), thermal scanners and COVID-19 testing for employees, effective from 1 March 2020. A 100% deduction is provided for expenses incurred in relation to provision of disposable personal protective equipment ("PPE") (e.g. face masks purchased for employees) and COVID-19 testing for employees. A capital allowance can be claimed when the company incurs expenditure in relation to provision of non-disposable PPE to employees or purchases thermal equipment to facilitate temperature checks for employees. The deduction/capital allowance that can be claimed has been extended from 1 January 2021 onwards. There is no expiry date.

❖ **Deduction for renovation and refurbishment expenses for business premises**

Renovation and refurbishment expenses for business premises are deductible up to RM300,000 for qualifying expenditure incurred between 1 March 2020 to 31 December 2021.

❖ **Deduction for COVID-19 related donations (cash contributions/contributions in-kind)**

A 100% deduction is provided for cash contributions and contributions in-kind, subject to approval provided by the Ministry of Finance. The deduction can be claimed by companies until the pandemic is declared over by the Malaysian Government.

❖ **Granting of special Reinvestment Allowance ("RA") for manufacturing and selected agriculture projects**

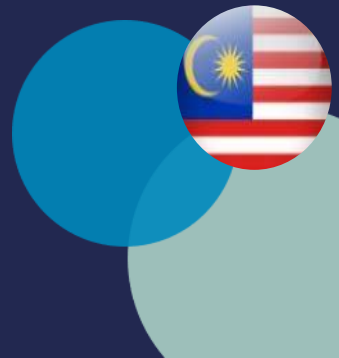
Special RA at the rate of 60% of qualifying expenditure incurred for qualifying manufacturing and agriculture projects, effective from YA 2020 to YA 2022.

❖ **Investment Tax Allowance ("ITA") granted to Malaysian companies that relocate their overseas manufacturing facilities to Malaysia**

For manufacturing activities not included in Malaysian Investment Development Authority ("MIDA's") list of non-qualifying activities, ITA for 100% of qualifying expenditure for 5 years, for applications submitted from 1 July 2020 to 31 December 2021.

❖ **Accelerated Capital Allowance ("ACA")**

ACAs are available for capital expenditure incurred for machinery and equipment between 1 March 2020 to 31 December 2021.



FUTURE COVID-19 MEASURES

The 2021 Malaysian Budget announced on 6 November 2020 by the Minister of Finance included the following new individual and business tax/other measures:

SUPPORT FOR INDIVIDUALS

❖ Reduction of minimum employee contribution rate to Employee Provident Fund (“EPF”)

This measure will be effective from January 2021 to December 2021. Employees' share of the statutory contribution rate will be reduced from 11% to 9% of their monthly salaries for the one-year period from January through December 2021.

❖ i-Lestari and targeted withdrawal facilities

This measure enables withdrawal of EPF savings from Account 2, effective from 1 April 2020 until 31 March 2021 and advances to be taken from Account 1 over period of 6 months, from the first date of crediting January 2021. Prior to this, money from Account 1 could only be withdrawn upon retirement of the individual, whereas money from Account 2 could only be withdrawn for specific pre-retirement withdrawal purposes (housing, education, medical) unless certain conditions are met (migration, disability or death of the individual, or where the individual is a civil servant placed under the pension scheme).

SUPPORT FOR BUSINESSES

❖ Extension of wage subsidy programme for the tourism sector (including retail sector)

Subsidy provided to employers for wages incurred on employees earning monthly salaries of RM4,000 and below, applicable from 1 January 2021 to 31 March 2021.

❖ Preferential corporate income tax rates for manufacturers of pharmaceutical products (including vaccines):

Ranges between 0% to 10% for applications received from 7 November 2020 to 31 December 2022. The corporate income tax rate in Malaysia for companies with paid-up capital of RM2.5 million or less is 17% (for the first RM600,000 chargeable income), whereas the rate of 24% is applied for any subsequent chargeable income, whereas companies with paid-up capital of more than RM2.5 million are subject to a flat corporate tax rate of 24%.

❖ Exemption from Human Resource Development Fund (“HRDF”) levies

Applicable for the tourism sector and companies affected by COVID-19, effective from 1 January 2021 to 30 June 2021. It is mandatory for employers with 10 or more Malaysian employees to register with HRDF. The monthly levy is charged at the rate of 1% of the monthly wages of employees. Employers with between 5 to 9 Malaysian employees may opt to register with HRDF and if they choose to register, the monthly levy charged is 0.5% of the monthly wages of employees. All registered employers are not required to apply for the levy exemption as they will be automatically exempted from paying the HRD levy.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

Malta Enterprise has been entrusted with the processing of most of the applications related to various measures introduced to mitigate the impact COVID-19.

❖ Tax Related Incentives

The following tax related incentives have been introduced in Malta:

- A tax deferral scheme applicable to Provisional tax, Employee taxes, maternity fund payments and social security contributions, social security contributions of self-employed persons and Value Added Tax due between the period between August 2020 and December 2021 may be settled after May 2022. Businesses experiencing a significant downturn in turnover had the opportunity to apply for such derogation by the 15 May 2021.
- Reduction of stamp duty on immovable property. The stamp duty rate on the purchase of immovable property was reduced from 5% to 1.5% on contracts signed by August 2021 on the first €400,00 of the consideration or market value of the property.
- The Final Tax due by sellers of property under development or those contracts made by 31 March 2021 was reduced from 8/10% to 5%.
- The first time buyers scheme was modified for all contracts after 9 June 2020, unless a person has benefitted from the scheme since 2013.

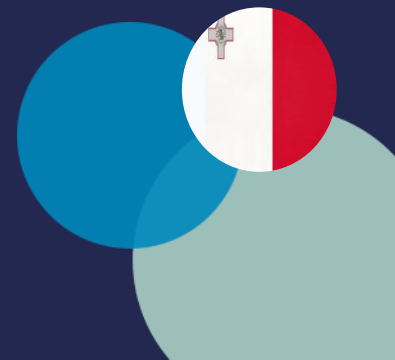
❖ Grants

The following grants have been introduced in reaction to the COVID-19 pandemic:

- A one-off lump sum grant of €350 to employers having staff on mandatory quarantine leave. Employers may request a grant of €350 in respect of any member of staff who have/had to take mandatory quarantine leave. Applications need to be submitted within 30 days from the start of the quarantine of the individual.
- Grants ranging between €100 and €800 per employee to certain businesses on the wage cost. As from January 2021 the grant will be calculated on the decrease in sales as declared in the VAT returns of the company.
- A grant of up to €2,500 on the rent paid by qualifying businesses for applications filed before the 14 October 2020.
- A grant of up to €1,500 covering 50% of the electrical power costs covering any period in July, August and September 2020 for applications filed before the 30 September 2020.
- Grant of up to €5,000 to businesses embarking on a reengineering exercise with approved companies. This incentive shall be available until the 31 December 2023.

<https://covid19.maltaenterprise.com/>

<https://www.avanzia.com.mt/economic-stimulus-following-covid-19/>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Other measures

Other measures introduced which seek to support economic growth are as follows:

- A refund of 33% in port charges for those ships that bring cargo to Malta in order to support the supply chains of the economy. A 10% refund will also be given on container discharge fees for import and export but not transshipment.
- Up to 80% refund of the costs incurred by businesses participating in international fairs which were cancelled.
- Export credit guarantees to enterprises venturing into new markets.
- Assistance to small and medium-sized companies employing less than 50 to up-skill their workforce. Further information, guidelines and applications are still to be made available.
- Possibility of converting micro-invest tax credit into a cash grant giving the opportunity to businesses struggling for cash to forego their tax credit for a cash grant. A maximum support of €200,000 to enterprises in the construction industry opting to modernise their equipment.
- A funding mechanism to public, academic and private entities under R&D on COVID-19 with outcomes not only addressing innovative and/or improved approaches related to the current pandemic, but also potential future waves and other antiviral relevant research. Eligible projects, including those projects having received a COVID-19 specific Seal of Excellence, are those projects that have started on or after 1 February 2020, but not later than 31 December 2020. The duration of the project should be a maximum of 18 months.

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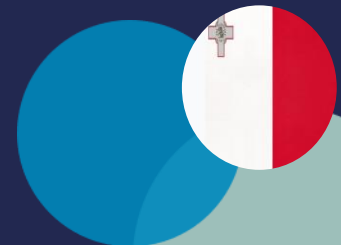
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FUTURE TAX MEASURES

Regarding federal tax related measures, the Federal Government stated since the beginning of the Coronavirus pandemic that the collection of taxes is considered as an essential activity which would be carried out with no plan to assist or provide incentives to taxpayers, since they have to help fund the necessary government revenue in order to be able to face the health crisis.

On the other hand, with respect to state and local taxes, several states extended deadlines in connection with the filing of tax returns and their corresponding payments, as well as for the payment and granting of subsidies regarding these taxes.

FUTURE TAX MEASURES

- ❖ On 8 September 2020, the Executive Branch submitted to Congress the initiative that reforms the Mexican Income Tax Law, the Value Added Tax Law, the Excise Law and the Federal Fiscal Code (the "Tax Initiative").
- ❖ After the process of discussion, modification and approval by the Chamber of Representatives and the Senate, the Federal Branch approved the Tax Initiative for its publication in the Federal Official Gazette on 8 December 2020.
- ❖ The modifications approved are mainly related to, among others, not-for-profit legal entities, the provision of digital services, the general anti-abuse law, electronic invoices that cover non-existent operations, joint and several liability, the Mexican tax authorities' powers of review, fines and the transmission of tax losses.
- ❖ On 12 December 2020, the Federal Executive submitted to Congress an initiative that reforms the Federal Labour Law, the Social Security Law, the National Housing Fund Institute for Workers Law, the Federal Fiscal Code, the Value Added Tax Law and the Income Tax Law to prohibit in general terms, labour outsourcing structures, unless justified by their specialised nature, and to further regulate it (the "Outsourcing Initiative"). The Outsourcing Initiative is expected to be discussed as a priority item in the following legislative period of Congress starting in February 2021.
- ❖ In general terms, the Outsourcing Initiative would disallow the deductibility of service fees paid to labour outsourcing services suppliers and would disallow crediting the corresponding value added tax charged back, unless the services rendered by the outsourcing services supplier are specialised in their nature and not included within the corporate purpose or economic activity of the contracting party. A special authorisation would need to be procured by the specialised outsourcing service suppliers to operate as such.
- ❖ As from 1 January 2021, the reporting obligations which require tax advisors and taxpayers to disclose certain tax planning schemes deemed aggressive by the tax authorities came into force. Certain listed tax planning schemes that generate or may generate a tax benefit in Mexico will need to be disclosed as of said date. The so called "reportable schemes" to be disclosed are those which have been designed, commercialised, organised implemented or administered as of fiscal year 2020, or in previous fiscal years when the associated tax effects are reflected in fiscal year 2020 or onwards.

<http://www.mcf.com.mx/en/covid-19/>



MEXICO

FUTURE TAX MEASURES

- ❖ As from 1 January 2021, new tax transparency regulations for income tax purposes entered into force. Generally, fiscally transparent foreign entities and legal figures will cease to be treated as look-through for Mexican tax purposes. A special tax regime will be applicable for private equity investment vehicles operating in Mexico, however, certain requirements will need to be fulfilled to maintain their tax transparency, such as being incorporated and having their administration in a jurisdiction with which Mexico has entered into a broad exchange of information agreement.

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THE NETHERLANDS

OVERVIEW OF PUBLISHED COVID-19 MEASURES

On 17 March 2020, the Dutch government announced measures aimed at reducing the negative economic effects of the Covid-19 virus. On 24 April, additional tax measures were announced by the State Secretary of Finance. On 20 May, the Dutch Government announced additional measures ("Emergency Measures 2.0"), mainly aimed at the extension of the existing measures. On 28 August 2020, the Dutch Government announced a third package of measures ("Emergency Measures 3.0"). The relevant measures are summarised below:

TAX MEASURES

❖ Corona reserve

The Corona reserve is a fiscal reserve for FY19 to offset expected FY20 losses due to Covid-19. The amount of the reserve may not exceed the FY19 taxable profit, nor the expected financial loss for FY20 as a result of the Corona crisis. The reserve may impact other CIT schemes, such as the tax loss carry forward position.

❖ Postponement in payment of taxes

In principle, the postponement of payments applied for a period of three months. However, (additional) extension is possible until 1 July 2021. It applies to all major taxes (i.e. CIT, PIT, VAT), but not to Dutch dividend withholding tax. No tax penalties and a 0.01% interest on collection of (overdue) tax up to 1 January 2022. The interest rate on underpaid tax was set at 0.01% until 1 October 2020. As of 1 October 2020, the interest rate on underpaid tax has been increased to 4% (including CIT).

❖ Payment arrangements for postponed tax payments

As of 1 October 2021, companies are obliged to pay the accrued tax debt in a maximum of 36 equal monthly instalments. During this period, it is not possible to offset tax refunds with tax debts. Tailor-made payment arrangements are possible under certain conditions.

❖ Increase of the work-related cost scheme "WKR" (tax-free allowances for employees) for 2020/2021

From 1.7% to 3% in 2020 and 2021 for the first €400.000 of the wage bill, and 1.2% (2020) or 1.18% (2021) on the amount exceeding this limit (no changes).

❖ Other relevant tax measures

Release of the so-called "g-account" (guarantee account) until 1 April 2021. A g-account is a frozen account which is solely used to make wage tax and VAT payments to the tax authorities.

Postponement of payment of energy tax and surcharge for sustainable energy ("ODE") until 1 July 2021.

USEFUL LINKS

[Dutch Government's website \(in English\)](#)

[Dutch Chamber of Commerce's website \(in Dutch\)](#)

[Taxand Netherlands' Covid-19 update \(in Dutch\)](#)



THE NETHERLANDS

OVERVIEW OF PUBLISHED COVID-19 MEASURES

SOCIAL MEASURES

❖ **Emergency measure wages 1.0 until 5 June 2020 (NOW 1.0)**, adoption possible until 31 October 2021.

❖ **Emergency measure wages 2.0 per 6 July 2020 until 1 October 2020 (NOW 2.0)**

The key requirements to qualify are:

- (Expected) loss in turnover of at least 20%;
- Employer continues to pay full wages;
- 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);
- Application closed per 31 August 2020; Adoption of the final compensation can be requested as of 15 March-2021 until 5 January 2022.

❖ **Emergency measure wages 3.0 per 1 October 2020 (NOW 3.0)**

The key requirements to qualify are:

- Three equal three month periods from 1 October 2020 until 1 July 2021;
- (Expected) loss in turnover of at least 20% for the first three-month period, and 30% for the second and third period;
- Employer continues to pay full wages with the possibility to decrease wages by a certain percentage (10% in the first period, 15% in the second period and 20% in the third period) without negatively impacting the financial compensation under NOW 3.0;
- Application for the first two periods is closed; Adoption is possible as of 4 October 2021

In the first period, a compensation of 80% of the wage bill is calculated, in the second period 70% and in the third period 60%, with the limitation as mentioned in NOW 1.0 and NOW 2.0. Compensation is capped at € 9,538 per month per employee until April 2021 and capped at € 9,718 per month per employee as of April 2021 + 40% employer cost.

Additional requirements apply when the taxpayer is planning on redundancies, e.g. a best-efforts obligation for employers to retrain employees.



THE NETHERLANDS

OVERVIEW OF PUBLISHED COVID-19 MEASURES

SOCIAL MEASURES

❖ Other social measures

Further measures include:

- Additional investment allowance (deduction of wage tax) of maximum 3% for investments up to €5 million made in period 1 October 2020 to 31 December 2021.
- Financial compensation self-employed individuals ("Tozo") up to € 1,500 and a loan to bridge continuous operating expenses up to € 10,157, subject to 2% interest.
- Financial compensation enterprises ("TOGS"), one-time gift of € 4,000.
- Time out arrangement; private solution to avoid bankruptcy (settlement creditors).
- Financial compensation in specific sectors (hospitality, theatre, events, sports, etc.).
- Financial allowance for fixed expenses ("TVL") up to € 600,000 for Q1 2021.
- Financial allowance for personal essential costs ("TONK") for a maximum period of 6 months.

❖ Future tax measures

No future tax measures have been announced at this time. A fourth package of economic measures is expected to be announced at short notice.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Norwegian Government has lately renewed and prolonged several compensation measures towards businesses and municipalities. In the National Budget for 2021 there were many targeted schemes to help businesses through Covid-19. After the National Budget was passed, the Government have prolonged several measures and has an ongoing evaluation of necessary measures in the society.

In addition to economic measures the Norwegian Government has also imposed several other measures, including social distancing. The measures include general advice against all non-essential travel to all countries until 15 April 2021, and this advice is expected to be extended. There is also implemented restrictions for foreigners traveling to Norway, which include quarantine hotels. Please note that there are different local Covid-19 measures within the different municipalities of Norway.

After the outbreak of Covid-19, the Norwegian government launched several economic and tax measures supporting employees being temporarily redundant and supporting businesses suffering as a result of the outbreak. Most of the first measures were time limited and have lapsed - the main tax measures still in effect are summarised below:

❖ **Compensation scheme for businesses with lost revenues of more than 30%**

The Norwegian Government has launched a new compensation scheme for businesses with a loss of more than 30% of their revenues where the government compensate unavoidable fixed costs for the business. The coverage is up to 85%, and the compensation period has been extended until the end of June 2021. There is a minimum threshold of NOK 5 000 and a maximum threshold of MNOK 30 per month for each company and of 80 MNOK per month per group. Each application is required to be confirmed by the auditor or authorised accountant before it is submitted.

❖ **Reduced VAT rate**

The low VAT rate has been reduced from 12% to 6%, this includes VAT on passenger transport, accommodation and parts of the cultural sector. The measure lapses by the end of June 2021.

❖ **Postponement of tax payments**

Temporary scheme involving postponement of tax payments is extended until the end of June 2021, except VAT claims that fall after 12 April.

[The Norwegian Government's website \(in English\)](#)

[Information page regarding the business compensation scheme \(in English\)](#)



NORWAY

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Reversed deficit (i.e. loss carry backs)

Loss-making companies can re-allocate up to NOK 30 million of loss in 2020 against taxed surplus from 2018 and 2019 and obtain a refund for the tax value of this loss in 2020.

❖ 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 investment. 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% to 24%.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

On 15 March 2020, Peru declared a National State of Emergency due to the COVID-19 pandemic, during which Peruvian citizens were bound to remain in social isolation (quarantine). Several extensions of both measures have followed thereafter; however, most recently the Peruvian Government declared the extension of the National State of Emergency until 31 May 2021. In such context, the following main tax measures have been approved:

❖ 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 5 years, calculated as from fiscal year 2021.

❖ Special Regime for Value-Added Tax (VAT) Early Recovery

In order to encourage the acquisition of capital goods, the Peruvian Government has approved the extension of the Special Regime for VAT Early Recovery until (i) 31 December 2023, regarding taxpayers with an annual net income of up to 300 Tax Units (approximately US\$ 390,900); and (ii) 31 December 2021, regarding taxpayers with an annual net income of over 300 UIT and up to 2,300 Tax Units (approximately US\$ 3'000,000). This regime consists of 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.

❖ Special depreciation regime for Income Tax purposes

A special regime has been established, on an exceptional and temporary basis, for taxpayers registered under the General Income Tax Regime as of 1 January 2021. Under such regime, taxpayers may apply a higher depreciation rate for buildings and constructions (i.e. 20% per year, up to its full depreciation), provided that said assets are exclusively destined to business development and that additional conditions are complied with. On the other hand, the maximum annual depreciation rate for other assets such as data processing equipment and machinery and equipment have been set at 50% and 20%, respectively.

❖ New Deferral and/or Instalment Regime for the Tourism Sector (“TOURISM-DIR”)

To the extent that certain requirements are met, providers of tourism services and/or artisans may be eligible for the TOURISM-DIR, with regards to debts that fall under the Peruvian Tax Administration’s control; including those which are due as of the application filing date and any amounts from previous deferrals and/or instalments that are pending payment. Deadlines for deferrals and/or instalments range between 12 to 36 months and applications must be submitted by 30 June 2021.

https://www.garrigues.com/en_GB/tags/peru



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Refund of 2020's Temporary Tax on Net Assets (TTNA)

An exceptional provision has been made for the refund of the 2020 TTNA, by virtue of which the Peruvian Tax Administration has a reduced period of 30 business days (from the application filing date) to perform such refund. Once this period expires, the application may be deemed approved.

❖ New agriculture regime

A new agriculture regime has been established, which contains the following tax benefits for certain individuals and entities involved in the sector: (i) a reduced Income Tax rate initially set at 15%, and gradually increasing throughout the following fiscal years; (ii) an accelerated depreciation for Income Tax purposes, regarding the amounts invested in hydraulic infrastructure and irrigation works; and (iii) a special tax credit granted for reinvesting profits.

❖ Provision of financial information to the Peruvian Tax Administration (SUNAT)

As a measure to prevent tax evasion and avoidance, Companies of the Financial System are required to submit semi-annual reports to SUNAT on passive operations carried out with their clients as from 1 January 2021, for amounts equal to or greater than S/ 30,800 (approximately, US\$ 8,500).

❖ Peru-Japan Double Taxation Treaty (DTT)

Recently, the Peruvian Congress approved the DTT between Peru and Japan, which was signed on November 18, 2019. Except for certain provisions related to the exchange of information between both jurisdictions (which are currently in force), the DTT is set to become fully effective from 1 January 2022.

❖ New limit for interest deductions

Despite the economic impact of Covid-19, new rules regarding interest deductions for Corporate Income Tax purposes have entered into force as from 1 January 2021; by virtue of which, net interest exceeding 30% of the previous year's EBITDA will not be deductible.



FUTURE TAX MEASURES

According to the 2021-2024 Multiannual Macroeconomic Framework published by the Peruvian Government, in order to restore fiscal sustainability in the medium and long term, it will be necessary to implement measures that (i) generate new permanent fiscal income; (ii) intensify control and inspection actions by the Tax Administration; and (iii) reduce tax avoidance and evasion. Such framework includes the following tax policy guidelines:

❖ **Preferential tax treatments**

Future measures should seek the rationalisation of preferential tax treatments, by avoiding the creation of new tax benefits, and evaluating the removal or replacement of existing ones.

❖ **Tax evasion and avoidance**

Future measures on tax evasion and avoidance should take into account consolidated international standards and the recommendations of the inclusive framework of the OECD BEPS project (e.g. exchange of information between jurisdictions and use of international tax tools).

❖ **Foreign investments and DTTs**

In order to attract foreign investments, the objective is to create solid and reliable fiscal policies, that do not necessarily lead to the proliferation of tax benefits. DTT negotiation with other countries will also be a priority; as well as adapting the internal legislation to enforce dispute resolution mechanisms provided for in such DTTs, according to BEPS standards and recommendations.

❖ **Digital economy taxation**

Measures will be adopted for the taxation of new business models based on the digital economy, guaranteeing neutral, simple and efficient treatment so as not to discourage trade, in accordance with international recommendations and standards.

❖ **Expansion of the Income Tax base**

A proposal for a simplified income tax regime, aimed at the formalisation of smaller businesses, will be evaluated.

❖ **Strengthening control and inspection activities**

The Tax Administration will focus on intensifying control and inspection activities, as well as on the automation of processes, the use of digital platforms and the mass use electronic payment vouchers



PERU

FUTURE TAX MEASURES

❖ Peruvian Tax System general evaluation

The current Peruvian Tax System will be reviewed in order to determine its sufficiency and effectiveness, and if necessary, incorporate new instruments for better collection. Future measures may include the incorporation of new goods and services into the scope of the Excise Tax ("ISC") and the creation of environmental taxes.

Furthermore, key tax bills which are currently under discussion in the Peruvian Congress include the following:

❖ New Wealth Tax

This bill suggests the creation of a "solidarity tax on wealth", applicable to individuals domiciled in Peru, with progressive rates of up to 4% over their real estate, vehicles, artworks, bank deposits and investments.

❖ Repatriation and Investment Regime

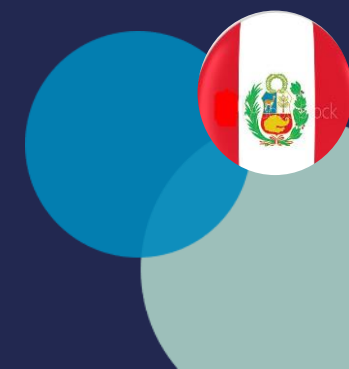
This bill, related to the repatriation and investment of undeclared income, seeks to extend the original regime in order to include undeclared income generated until fiscal year 2017.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Government of the Republic of Poland first introduced tax measures to mitigate the impacts of the COVID-19 pandemic in March 2020. After that, the anti-COVID tax measures were introduced in a series of tax laws which were adopted until June 2020, whereas amendments of some of their provisions are currently proceeded in the Parliament.

The key measures covered deferral of certain taxes and advanced payments, deferral of certain compliance obligations, mitigation of certain administrative burden obligations. Many of those measures were effectively focused rather on SME's, and some of the measures have already expired. Besides tax measures the Polish Government introduced a significant subsidies and preferential financing program aimed at co-financing the employment costs or improving cash flow (so called "Financial Shield"). Below is the summary of the most important tax measures that either are currently in place or are already proceeded in the Parliament.

❖ CIT Payment and reporting obligations

Polish parliament currently approved a deferral of the statutory deadline for 2020 CIT payments and tax return submissions until 30.06.2021 (instead of 31.03.2021 for most tax payers). It is expected that the full approval process for the new bill will end in the last week of March.

❖ PIT Advanced Payments

Postponement until 20 May 2021 PIT advances for October 2020; until 20 June 2021 PIT advances for November 2020; until 20 July 2021 PIT advances for December 2020, due on salaries and social security payments for remitters who suffered negative economic consequences in connection with COVID-19 outbreak and are qualified based on classification of their business activity.

❖ So called minimum tax on commercial real estate

Unconditional exemption of payment of the so-called minimum tax (special tax on commercial real estate) due for 1 March to 31 December 2020 as well as beyond 1 January 2021 while the pandemic remains in force. The tax is calculated based on the initial value of all rented real properties (including residential properties) reduced by the tax allowance of PLN 10m. The tax rate amounts to 0.035% per month (approx. 0.42% annually).

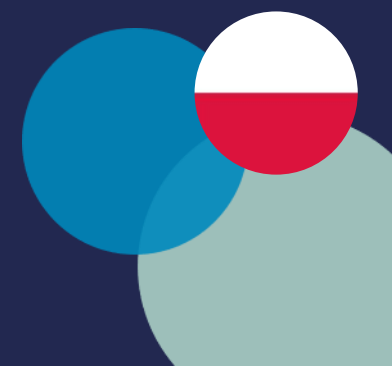
❖ Suspension of the new withholding tax regime

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 30 June 2021.

❖ Real estate tax exemptions

Potential tax exemptions from the real estate tax on entrepreneurs whose financial liquidity has worsened due to COVID-19. To be introduced by local governments.

<https://crido.pl/podatki-w-biznesie/artykuly/?categories=crido-kontra-koronawirus>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Release form the prolongation fee

No prolongation fee (currently 4%) for applications for postponement / splitting into instalments of tax payments or tax arrears or postponement / splitting into instalments of liabilities resulting from social security contributions due for the period starting 1 January 2020.

❖ Use of 2020 tax losses caused by the COVID-19

If certain conditions are met possibility to one-off deduction of 2020 tax loss, up to 5 m PLN through adjustment of 2019. Potential overpayments could be credited against existing or future tax liabilities or refunded in cash.

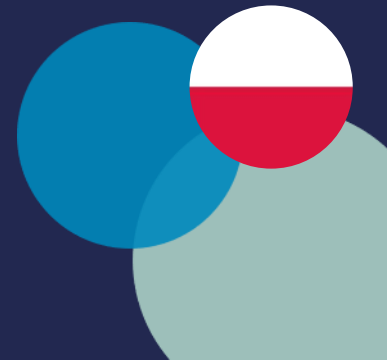
❖ Reliefs on Tax Capital Groups conditions

Lack of tax arrears as well as to maintaining a 2% profitability ratio are conditions which are usually required to benefit from the Tax Capital Group regime. These are considered fulfilled if the Tax Capital Group's condition worsened due to COVID-19 for the tax year commenced before 1 January 2020 and finished after 31 December 2019 or that commenced after 31 December 2019 but before 1 January 2021. The favorable regulation relating to the profitability ratio condition, was recently extended for the 2021 tax year under certain conditions.

❖ Transfer Pricing reporting

TP reporting for 2019: 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, to 31 December 2020. The deadline for preparing the Master file documentation is also extended by three months after the deadline to submit the TP statement.

TP reporting for 2020: Polish parliament currently approved a deferral of the statutory deadline for submitting 2020 transfer pricing information (TPR-C and TPR-P forms), preparation of a local file as well as the statement on preparation of local transfer pricing documentation for FY2020 is extended until 31 December 2021. The deadline for preparation of the group file is planned to be prolonged until 31.03.2022. It is expected that the full approval process for the new bill will end in the last week of March.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ **Certificates of residency**

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 taxpayer, if the data provided in the certificate does not raise doubts (ii) possibility to use the certificate of residency of the foreign taxpayer for 2019 (it is planned to cover also certificates for 2020) (statement of the taxpayer that the data provided in the certificate remain unchanged is required) (iii) extension of validity of certificates of residency issued with no validity period, if the 12 month period after its issuance date lapses during state of epidemic.

❖ **Reporting of the domestic arrangements („domestic DAC-6”)**

There was a suspension of the deadlines for domestic DAC-6 reporting (the reporting obligations are broader than under EU DAC-6) running from 31 March up to 30 days after cancellation of the epidemic state.



2021 TAX MEASURES

❖ Retail sales tax as of 1 January 2021

Tax will be levied on retail sales of retail companies' revenues that exceed PLN 17 million per month. Two tax rates are envisaged:

- 0.8 % of the tax base (if the base does not exceed PLN 170 million)
- 1.4 % taxation of the surplus exceeding PLN 170 million.

❖ Sugar tax : new tax to be introduced as of 1 January 2021

This tax will impose additional charges on sale of sweetened drinks and alcoholic beverages with a volume not exceeding 300 ml. The amounts of the charges will be as follows:

- For sweetened drinks:
 - (i) PLN 0.50 for 1l of a beverage which contains sugar or sweeteners in its composition
 - (ii) PLN 0.10 for 1l of a drink that contains an active substance (caffeine or taurine).
 - (iii) Additionally, a variable fee should be added, if the sugar in the product is more than 5 grams/100ml, then for each additional 1 gram of sugar a fee of PLN 0.05 should be added.
- For alcoholic beverages up to 300 ml: PLN 25 for 1l of 100% alcohol sold after processing such as vodka, liqueurs, rum and other alcoholic beverages in packages up to 300 ml.

❖ Limited Partnership (*spółka komandytowa*) as a corporate income taxpayer

Limited partnerships, which are currently tax transparent, will be subject to 19% CIT as of 1 January 2021, but will be allowed to elect to enter into a CIT regime as of 1 May 2021.



POLAND

2021 TAX MEASURES

❖ **Changes for Real Estate Companies**

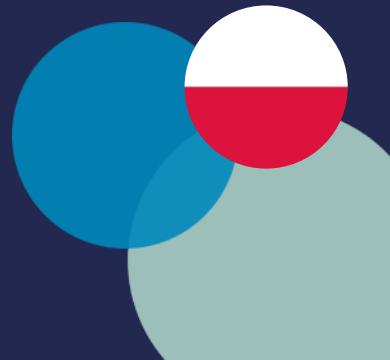
From 1 January 2021 additional obligations on real estate companies resulting from e.g. disposal of their shares will be imposed; a Polish real estate company will be considered in such a case a taxpayer.

❖ **Mergers and business acquisitions**

As of 1 January 2021, the tax impact of mergers and going concern acquisitions and contributions should be carefully analyzed with respect to utilization of tax losses. In many cases, both in the case of upstream or downstream merger, as well as going concern or OPE contribution and acquisition, it may not be possible to effectively recognize tax losses of the surviving entity

❖ **Publication of Tax Strategy**

As of 1 January 2021 the companies with a turnover of over €50m and Tax Capital Groups will be obliged to make their so called “tax strategies” public.



POLAND

FUTURE TAX MEASURES

The Polish Ministry of Finance is very active currently on proposing or announcing new tax measures. Some of them are “incentive” in nature, some however will lead to effective increases of the tax burden.

NEW INCENTIVE MEASURES CURRENTLY CONSULTED OR ANNOUNCED

- ❖ So called “Estonian tax” : a new incentive deferring CIT taxation until profits are distributed (in practice limited to Polish SME's having polish individuals as shareholders) entered into force as of 1 January 2021.
- ❖ Automation / robotics relief : possibility to preferentially deduct costs incurred for introduction of automation / robotic processes. This measure is under discussion.
- ❖ Preferential regime for holding companies : there are early discussions to consider a dedicated to two-tier holding structure where the holding company could benefit from CIT exemption on capital gains (but a 5% tax on dividends would be introduced). This measure is under discussion.
- ❖ New CIT and VAT regime for tax capital groups (“TCG”) : easing of the conditions for a capital group to be considered as Tax Capital Group and introduction of the possibility for joint VAT settlements within a Tax Capital Group. This measure is under discussion.

NEW TAXES / OBLIGATIONS THAT WILL ENTER INTO FORCE OR MAY BE APPROVED

- ❖ A draft law implementing an EU e-commerce Directive was recently published and is supposed to enter into force as of 1 July 2021.
- ❖ A project on new tax on revenues derived from digital and conventional advertisement is currently in the pre-consultation phase. New law would concern revenues of traditional media derived from advertisement as well as similar revenues generated in Poland by so-called Big Tech companies. Plans of its introduction lead to numerous disputes including strikes by some media operators and it is uncertain what the future of the project will be.
- ❖ Introduction of a Central Invoice Register was announced with aim to be implemented mid-2021.
- ❖ Comprehensive changes to the excise tax are planned to enter into force mid 2021.

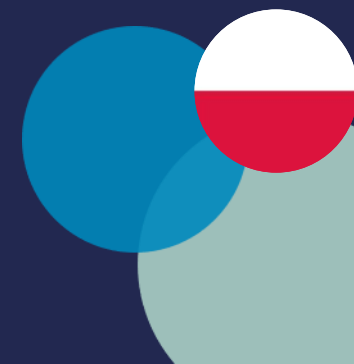
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The second state of emergency has been in force in Portugal since 9 November 2020. Since then, the Portuguese government has announced several tax measures to mitigate the effects of COVID-19 for Portuguese taxpayers, which have been continuously modified and/or completed. The main measures are:

❖ CIT Obligations

No infraction would be raised in regards to the exceptional regime for limitation of the CIT payments on account in 2020, when the unpaid amount is more than 20% of what in normal circumstances would have been paid.

The deadline to submit the CIT periodic return for 2020 (form “Modelo 22”) and to pay corresponding tax was extended to 30 June.

❖ Special payment on account refund

Cooperatives, micro and SME may request an early refund of the special payment on account not deducted until 2019, with reference to the tax periods from 2014 to 2019. The request is made electronically and shall be executed by the end of January 2021 or by the end of the sixth month following the deadline of the submission of the annual tax return when the tax period adopted is other than the calendar year.

❖ Monthly Stamp Tax Return (“DMIS”)

DMIS submitted with “mere errors” may be replaced until the end of the first semester of 2021, without any penalty. For these purposes, the concept of “mere error” is limited to neglectful conduct, including situations in which taxpayers demonstrate having no computer resources, operative or others, that would have allowed them to submit said return without errors.

❖ Exemption and VAT reduction on intra-community supply and acquisition of goods

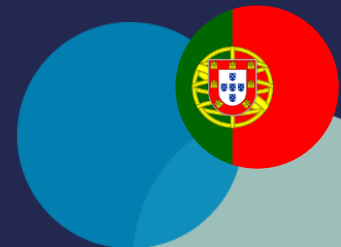
This applies to acquisitions made by the State, other public bodies and non-profit organisations until 30 April 2021. Reduced VAT rate and VAT exemption on certain goods for protecting against COVID-19, as well as VAT exemption for supplies of goods to scientific and higher educational institutions.

Council Directive (EU) 2020/2020 of 7 December 2020 was also recently transposed to the domestic law and, as a temporary measure, grants an exemption of VAT applicable to COVID-19 vaccines and in vitro diagnostic medical devices.

[Government of Portugal website](#)

[List of legal measures In light of the COVID-19 crisis](#)

https://www.garrigues.com/en_GB/new/covid-19-deadline-comply-obligation-submit-transfer-pricing-documentation-has-been-postponed



❖ Extension of the deadline for the VAT periodic return

There were adjustments to the deadlines for filing VAT returns as well as the payment without penalties. The new deadlines are: (i) quarterly VAT return in respect of April-May-June 2021 and monthly VAT return in respect of July - VAT return submitted and paid by 31 August 2021; (ii) monthly VAT return in respect of April and May 2021, the VAT return submitted before the 20th day of the second month following the month during which the relevant tax period end and payment in the following 5 days.

❖ VAT instalment payment scheme applicable for the first half of 2021

VAT taxpayers who have suffered a decrease in invoicing electronically communicated through “*e-fatura*” of at least 25% in the monthly average in the calendar year 2020 compared to the same period of the previous civil year, may deliver the VAT due in respect of the first half of 2021 in three or six monthly instalments, without interest or the need of presentation of a guarantee. For VAT taxpayers presenting monthly returns, this regime is limited to those who obtained a turnover of up to EUR 2 million in 2019 or who initiated or reinitiated their activity on or after 1 January 2020.

Without the application of the breakdown on invoicing or turnover requirement, VAT taxpayers which: (i) have had a turnover within the maximum threshold for classification as a micro, small and medium-sized enterprise (SME), i.e. which has not exceeded an annual turnover of EUR 50 million; or (ii) whose main activity falls under the classification of economic activity (CAE) of accommodation, catering and similar, or cultural activity, may also benefit from this scheme. In this case, this applies to the VAT taxpayers which present the monthly return (in respect of December 2020) or quarterly return (in respect of the last quarter of 2020).

The request to pay in instalments is submitted electronically in the tax office website until the end of the voluntary payment period.

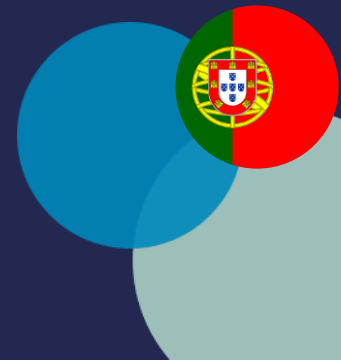
❖ Portuguese invoices issued in PDF format

A new deadline extension of the exceptional recognition of PDF invoices as valid electronic invoices, for every tax effect, was also approved, from 30 of June to 30 September 2021.

❖ Payment in instalments

The payment of PIT and CIT withholding taxes and the payment of the VAT due under the monthly regime that have to be carried out by (i) taxpayers who have obtained a turnover up to the maximum limit of EUR 50 million or (ii) when the taxpayer's main activity falls under the economic activity classification of accommodation, catering and similar, or of culture, or (iii) who have started or restarted the activity as from 1 January 2020, inclusive, may be made in instalments without interest or any penalties.

These taxpayers must also declare and demonstrate a decrease on the invoicing reported through the e-fatura of at least 25% on the monthly average of the full calendar year of 2020 when compared to the same period of the previous year.



PORTUGAL

FUTURE TAX MEASURES

The taxpayers referred in point (i) may also defer and paid in installments the tax assessed for CIT purposes, as well as for the first two payments on account for the tax period beginning on or after 1 January 2020.

❖ Termination of the suspension of procedurals in Portugal

In order to ensure a gradual return to the normal operations of the courts and other public services, the regime for the general suspension of procedural periods and procedures to be carried out within the scope of legal actions and proceedings taking place before the tax courts and tax collection bodies is revoked and took effect as from 6 of April 2021.

KEY CONTACTS



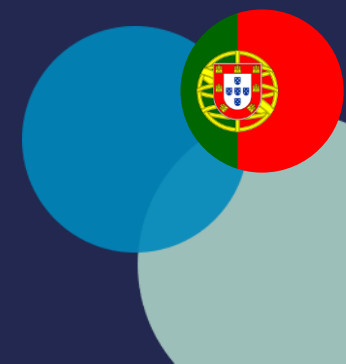
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

In the context of COVID-19 pandemic, a state of emergency was declared in Romania on 16 March 2020 until 14 May 2020. Starting on 18 May 2020, a 30 day alert status was adopted which was later further prolonged (i.e. currently applicable until 12 May 2021 inclusively). A package of tax measures was adopted in this regard, the main measures are presented below:

❖ Non-application of late payment charges

Starting with the tax obligations falling due after 21 March 2020, which are declared but not paid within the deadline, no late payment interest and penalties apply until 25 December 2020, inclusively. The amounts will not be considered outstanding tax obligations during the period 21 March to 25 December 2020.

❖ Forced executions by garnishment

Forced executions by garnishment (i.e. blocking an amount due and unpaid by a debtor from his bank accounts as a result of a court enforceable title) in case of budgetary receivables are suspended / will not be started until 31 March 2021, except for the forced execution applicable for recovering budgetary receivables established by Court decisions issued in the criminal field.

❖ Corporate income tax ("CIT") and microenterprise tax reductions

Taxpayers paying CIT (generally amounting to 16% of the taxable profit) / microenterprise tax (generally amounting to 1% / 3% of the taxable revenue) due with respect to the first 3 quarters of 2020 within the standard legal deadline are entitled to tax reductions as follows:

- 5% decrease of the tax due for CIT payers classified as large tax payers with respect to the CIT due for Q1 2020;
- 10% decrease of the tax due for other categories of CIT payers and microenterprise taxpayers with respect to the CIT / microenterprise tax due for Q1 2020 as well as for all categories of CIT payers and microenterprise taxpayers with respect to the Q2 and Q3 2020.

❖ Income obtained from leasing of immovable property

Such income is partially non-taxable in 2020 provided that the lessor decreased the rent in certain circumstances. The measure is applicable for both legal entities and individual lessors.

❖ Tax incentives for taxpayers subject to specific tax for hospitality sector (applicable for taxpayers operating in e.g. accommodation, bars, restaurants)

Tax exemption applicable for the period in which the activity was interrupted (totally or partially) due to COVID-19 restrictions + for a period of 90 days + for the period between 26 October to 31 December 2020. The tax exemption is also granted for the first 90 days of 2021 and from 1 April 2021 the facility is prolonged for 90 additional days.

Postponement of the declaration and payment of the specific tax due for the first semester of 2020 until 25 October 2020.

Government of Romania website: [click here](#)

Romanian National Agency for Fiscal Administration website: [click here](#)

Taxhouse website: [click here](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Personal Income Tax and Social Security Contributions Measures

Starting from 24 December 2020, costs with the employees' epidemiological testing and/or vaccinating in order to prevent the spread of illnesses that endanger the health of employees and the public will be non-taxable at the level of the employee from a personal income tax and mandatory social security contributions perspective.

❖ VAT Measures

VAT reimbursements are granted with subsequent tax audits until 31 January 2022 in certain conditions.

Several imports of goods are exempt from VAT and import duties (e.g. ethyl alcohol used for the production of disinfectants, goods used for free-of-charge distributions etc.), applicable during specified period. The exemptions applied during the period 30 January to 31 July 2020 (for goods used for free-of-charge distributions), respectively during 16 April and 30 days after the cessation of the state of emergency; and to 12 June 2020 (for ethyl alcohol used for the production of disinfectants and other goods and medical equipment used in preventing, limiting, treating and combating COVID-19 imported by taxable persons).

❖ Postponement of DAC 6 reporting

The new applicable deadlines are the following:

- 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 relating to the period 1 July 2020 to 31 December 2020 will start on 1 January 2021, the latest;
- starting 1 January 2020, the standard reporting term is of 30 days from the specific event, provided by the law;
- the first periodic report for marketable arrangements will be prepared by 30 April 2021.

❖ Statute of limitation period

The period during which the tax body is entitled to establish tax liabilities and to request their 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 between 16 March and 25 December 2020.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Cancellation of certain tax obligations and instalment payment facility

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 for specific tax liabilities, subject to detailed conditions. Rescheduling of certain tax liabilities is available for all the categories of taxpayers under more favourable conditions.

❖ Social measures – e.g. reduced working hours, technical employment

As a consequence of the COVID-19 pandemic the Romanian government enabled several social measures, the main measures are listed below:

- Reduced working hours partially financed by the state (*Kurzarbeit*): for reduced activity caused by state of emergency / alert status, the employers may reduce the working hours of the employees by up to 80%, the difference between the gross salary agreed as per the individual employment contract and the gross salary related to the actual hours worked being 75% compensated by the state; these measures are applicable until 30 June 2021;
- Technical unemployment: the employees who have their working contract suspended by the employer as a consequence of the COVID-19 pandemic benefit from a compensation supported by the state budget amounting to 75% of their salary, but no more than 75% of the gross medium salary; these measures are applicable until 30 June 2021;
- Days off for parents: in the situation where there is limited or suspension of school activities which impacts the physical presence of the children in school, parents are granted days off compensated by the state budget with a compensation amounting to 75% of their salary, but no more than 75% of the gross medium salary; these measures are applicable during the alert status, but no later than the completion of the 2020-2021 school year.

❖ Tax measures to stimulate the maintenance / increase of equity (applicable starting in 2021)

Taxpayers subject to the corporate tax system, micro-enterprise tax and specific tax system may benefit from reductions of annual tax due, subject to the fulfilment of certain conditions which refer to improved capitalisation.

The applicable reductions vary between 2% and 10% and may be cumulated under certain circumstances (leading potentially to a maximum 15% reduction in certain years). The measures apply during 2021-2025.



ROMANIA

FUTURE TAX MEASURES

❖ Project for measures for stimulating the activity and reducing the COVID-19 pandemic's effects in the tourism sector

A draft regulation containing measures specifically addressed to the tourism sector in order to reduce the effects of the COVID-19 pandemic and to stimulate the sector's activity is currently under discussion and may be approved in the future.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The package of legislative tax measures to support the business in the light of the economic impact of the Covid-19 has been adopted in Russia. At the first stage the following tax relief measures were introduced: 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. In addition, special tax measure were adopted for SMEs, which are affected the most by the Covid-19 (exemption from tax payments for the 2nd quarter, grants, subsidies, lending program).

Most of the fiscal measures such as decrease of tax rates, subsidies, interest free loans were aimed to support small and medium size enterprises and do not affect multinationals. The for the big businesses in spring and summer the Government provided extensions for terms of tax payment, reporting obligations, established moratorium for the tax and other audits. All these measures have expired.

❖ Tax regime for “self employed” individuals

From 1 July 2020 the regime of “self employed” individuals paying taxes on professional income came into effect across the whole of Russia. Previously this regime had been introduced only in a number of regions as an experiment. This regime will be available for “young entrepreneurs” who are 16 years of age or older, while currently it is allowed only for those who are 18 or older.

The following tax rates are established for this tax regime: 4% in case the income from the sale of goods, works or services that were received from an individual and 6% if the income is received from legal entities and individual entrepreneurs.

❖ “Tax Manoeuvre” for IT Companies

The President has officially announced a “tax manoeuvre” for IT companies, which includes insurance contributions being reduced to 7.6% (from the current rate of 14% in effect until 2023), and the profit tax rate being reduced to 3% from the current rate of 20% for an unlimited period. New rules will be applied from 1 January 2021.

Indeed, the announced profit tax rate is one of the lowest rates worldwide. For instance, in Ireland, which is popular among IT behemoths (Microsoft, Apple and Google choose specifically this country for their European units), the tax rate is 12.5%. Taking account of the existing VAT benefits, the President’s initiative is likely to exempt the IT sector from taxation almost in its entirety. Apparently, this is triggered by the worldwide trend towards innovations, technologies and digitalisation that become a major (or even the principal) competitive advantage of a state.

COVID-19: legal issues: [click here](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Tax benefits for SMEs

Special measures were introduced to support the small and midsize enterprises (“SMEs”), which were affected the most by the spread of Covid-2019 and also by the quarantine measures. These tax relief measures were adopted by the Government in April and May: 1) extension of the deadline for paying corporate income tax, special regimes taxes for for the 1st and 2nd quarters of 2020 for 6 months; 2) deadlines for paying of advance tax payments for transport, property and land taxes were postponed.

In July additional tax relief measures were established: an exemption from taxes, fees, and social securities for the 2nd quarter of 2020 (the deadline for the payments of these taxes is the end of the December 2020). This exemption is applied to corporate income tax, personal income tax, land and property taxes, taxed paid under the special tax regimes, excise taxes, tax imposed on the extraction of mineral recourses. This exemption is not applicable to VAT.

❖ Lending program for SMEs.

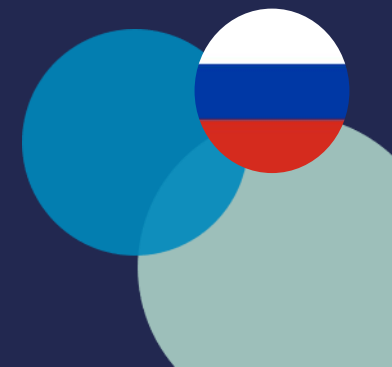
In April-May the interest-free lending program was granted by the Government, according to which SMEs which are operating in the industries included in the list of the most affected by Covid-19 could receive an interest-free loan. The maximum amount of the funds, which could be borrowed, calculated as an official number of employees X minimum wage.

❖ Changes to the simplified tax regime

From 1 January 2021 the income limits for using the simplified tax regime are expanded. According to new rules, if at the end of the tax period (calendar year), the taxpayer's income did not exceed RUB 200 mln. and the average number of the taxpayer's employees did not exceed the limit by more than 30 people (the limit is 100 employees), such a taxpayer has the right to continue applying the simplified taxation system in the future tax periods (in previous version of the law the income limit was established as RUB 150 mln.). The simplified tax system allows the taxpayer to pay 15% tax on profit or 6% tax on revenue and exempts it from VAT.

❖ Fixing of the RUB exchange rate for the purpose of application of the fin cap rule

For the period 2020-2021 the temporary rule was introduced to the Tax Code which defines that for the purpose of calculating controlled debts the RUB exchange rate to the foreign currencies will be applicable in amount not exceeding rate established on 28 February 2020.



FUTURE TAX MEASURES

❖ Proposal to introduce Progressive Taxation

It has been proposed that starting from 1 January 2021 progressive taxation should be introduced with regard to personal income (the so-called “tax on the rich”). A personal income tax rate of 15% (instead of the current rate of 13%) will apply with regard to annual income of over RUB 5 million. The increased rate will apply not to all income, but only to income exceeding the specified amount. The President said that the additional budget income would be used to finance the treatment of severely ill children.

So far the existence of a “flat” tax rate in Russia has been grounded in the state authorities’ fears that individuals’ income will fall into the shadows once more. Apparently, modern conditions allow this threat to be disregarded for the sake of the interests of the state budget. However, the President’s statement that the tax increase is purpose-oriented raises questions, since Russian legislation does not provide for any purpose-oriented taxes. All of the collected taxes are distributed in accordance with the rules are set out in budget legislation. Therefore, either budget legislation will be amended with respect to the additional 2% of personal income tax, or the reference to children was rhetorical which should not be understood in its literal sense.

❖ Changes to CFC rules

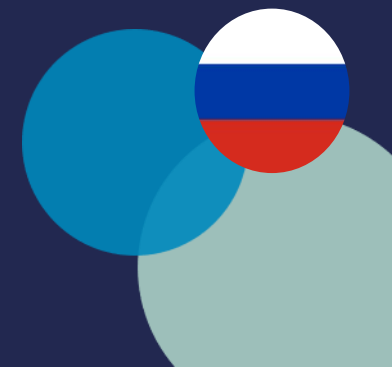
In addition, for Russian tax residents who own foreign companies it is proposed that the current complex taxation mechanism for CFCs should be simplified. The owners of such companies should be granted the right to pay a fixed tax amount of RUB 5 million per year without submitting any additional reports to the tax authorities.

The huge volume of legal provisions introduced into the legislation from 1 January 2015 seem to have proven ineffective. Indeed, it is complex in terms of administration, since it requires serious cooperation to be maintained with the tax authorities and information to be received from abroad and then processed. Although at present, in the age of high technologies available to the Federal Tax Service when the information exchange process is well organised, such administration should not have become such a problem for the Federal Tax Service. Possibly, the issue is that despite all of the options available to the Federal Tax Service, the amounts of taxes collected have appeared to be too small in practice. The reasons for this may be plenty: the specifics of the drawing up of financial statements in accordance with international standards, numerous (however well-grounded) exceptions, high thresholds, significant administrative and other costs of identifying the underpayment of taxes, the efforts of the state to encourage the closing of CFCs and business being relocated to Russia.

Therefore, the introduction of an annual payment instead of “extra” reports will possibly become a development that may attract some CFC owners (with fairly significant undistributed profit from CFCs of at least RUB 40 million approximately) and make life easier for them and for tax authorities.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

At the time of the pandemic outbreak, parliamentary elections took place in Slovakia (29 February 2020). To decrease the economic impact of the COVID-19 crisis on both businesses and citizens, the new government approved the **First Aid Package** on 2 April 2020. Further measures followed on a step-by-step basis. Following the outbreak of the second pandemic wave in Autumn 2020, the **First Aid Package PLUS** was adopted in October 2020, considerably increasing the state-funded financial contributions for affected businesses and taxpayers. In February 2021, there was another extension of the state-funded aid to businesses and another increase in the amount of contributions per employee (**First Aid PLUS PLUS**). The aid scheme was extended until 30 June 2021.

The following is an overview of the main financial aid and tax-related measures taken in Slovakia in response to COVID-19 crisis and also of general tax measures recently adopted and/or planned to be adopted in the near future.

❖ Corporate income tax and personal income tax

Deadlines for 2019 corporate and income tax returns were extended until 2 November 2020 (normally due until 31 March 2020). This deadline applied also to the payment of income taxes. No further extensions were possible. Taxpayers who have not made the filing deadline or who have not had the cash flow to pay the taxes had the possibility to apply for a waiver and/or for the option to pay tax in instalments. Reasons had to be given in the applications. The tax authorities proceed on a case-by-case basis, taking into account the particular circumstances of the taxpayer. However, if instalments are permitted, interest is charged (the standard interest rate applicable to instalments was decreased from 10 % to 3 % p.a. to reflect the crisis).

The standard **deadline for 2020 corporate and income tax returns is 31 March 2021**. No deadline extensions have been approved so far (10 February 2021). However, through an amendment to the Tax Code of January 2021, the government strengthened its competences and can grant waivers of sanctions and fines.

Tax exemption of special COVID-19 contributions: All special state-funded COVID-19 contributions aimed at preserving jobs granted to employers and self-employed persons will be exempt from tax both on the side of employers and employees. In economic terms, this means a de facto increase of the already provided contributions by another 20%. The exemption is applicable already when filing tax returns for 2020.

Tax deductibility of COVID-19 tests used to test employees and suppliers: In January 2021, the Parliament decided that COVID-19 tests will be treated as tax deductible expenses of businesses. This provision will be applicable also to the test expenses incurred in 2020.

❖ Value added tax

In February 2021, the Parliament approved a **zero VAT rate on FFP 2 and FFP 3 face masks** with immediate effect. The zero VAT rate should be applicable until the end of April 2021. So far, there have not been other changes in the VAT field in response to the pandemic.

❖ Motor vehicle tax

In response to the pandemic, the **deadline for filing the 2020 motor vehicle tax return** and paying the motor vehicle tax (normally due until 31 January), was extended until 31 March 2021.

<http://www.bmb.sk/>

Government website with COVID-19-related information in English:
<https://korona.gov.sk/en/>



OVERVIEW OF PUBLISHED COVID-19 MEASURES

Taxpayers affected by the COVID-19 crisis may apply for the following state-funded contributions/subsidies to mitigate the impacts of the crisis:

❖ **First aid PLUS Measures to help preserve jobs**

State-funded contributions per employee are granted to employers and self-employed persons with the aim to preserve jobs. The contributions are paid to businesses which are/were mandatorily closed due to the COVID-19 pandemic lockdown or the sales revenues of which decreased significantly. The amount of contributions varies from €330 to €1,100 per employee and month, depending on the salary/wages of the particular employee or on the sales revenue decrease. From February 2021, the maximum amount of contributions per employee increased from 80 % to 100 % of labour costs of the employee (gross wages + social/health insurance contributions for the employer).

❖ **Rental subsidies in response to COVID-19 crisis**

State-funded subsidies for businesses to settle rental payments. The maximum amount of the rent subsidy is 50% of the rent (excluding utility costs). The principle of this subsidy is that the state grants the subsidy in the amount of the discount provided to the lessee by the lessor. Accordingly, as much as 100% of rent may be refunded (50% borne by the state and 50% by the lessor).

❖ **Financial contributions for businesses in the tourism industry**

State-funded contributions for businesses the sales revenues of which decreased by over 40% compared to the previous period. The amount of the contribution is calculated as a percentage of the sales revenues of the previous period.

Other measures to decrease the financial burden of businesses and individuals during the crisis:

- ❖ **Deferrals of bank loans repayment** granted by banks individually upon request of the debtor subject to specific conditions without a negative record in the register of debtors for those who have not deferred their instalments in 2020. Instalments may be deferred until 31/03/2021.
- ❖ **Deferral of the duty to pay social and health insurance contributions** for employers and self-employed persons upon request subject to specific conditions (if the turnover decreased by at least 40 %).



LATEST AND PLANNED TAX MEASURES

❖ November 2020 Amendment to the VAT Act

In November 2020, an Amendment to the VAT Act was adopted by the Parliament. The most important changes in the VAT area were:

- New VAT rules for distance selling of goods and services (Implementation of the Council Directives (EU) 2018/1910 and 2019/475 – extension of the scope of ONE STOP SHOP rules)
- Refund of VAT from unsettled invoices (uncollectible receivables) by the state to companies.

❖ December 2020 Amendment to the Income Tax Act

In December 2020, an Amendment to the Income Tax Act was adopted by the Parliament. The most important changes in the ITA area:

- **CFC rules for individuals:** With the aim to prevent aggressive tax planning and profit shifting to tax havens and low-tax jurisdictions, CFC rules have been introduced also for individuals. The new CFC rules for individuals will become applicable from 01/01/2022. CFC rules for legal entities were introduced already in 2017.
- **New rules to prevent hybrid mismatches:** This measure is related to the implementation of ATAD2. With the aim to prevent double non-taxation of income, non-resident majority partners of transparent entities will be taxed at the level of the transparent entity in Slovakia applying the corporate income tax rate of 21% unless they provide a proof that the income has been subject to tax in their residency state.

LEGISLATIVE CHANGES EXPECTED IN THE FUTURE:

Further anticipated changes : amendment to the Tax Code

The Government is also working on a concept of permanent “Kurzarbeit” (short-term work). New legislation on Kurzarbeit should be adopted in 2021 and become applicable in January 2022.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ 50% Tax Deduction for Rent Reductions

For commercial property landlords (both individual and corporate landlords) who reduce rent receivable from small business owner lessees during the period January 2020 to June 2021, an amount equal to 50% of the reduction in rent is deductible.

❖ Reduction of personal income tax ("PIT") / corporate income tax ("CIT") payable

Reduction of personal income tax ("PIT") / corporate income tax ("CIT") payable by small and medium-sized businesses that have a place of business in 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. For the tax year including 30 June 2020, (i) small businesses that have a place of business in the Special Disaster Areas receive a 60% PIT/CIT reduction and (ii) medium-sized businesses that have a place of business in the Special Disaster Areas receive a 30% PIT/CIT reduction. However, the total amount of PIT/CIT reduction cannot exceed KRW 200M.

The PIT/CIT reduction is also available for offshore enterprises that close or reduce their overseas place of business and expand an existing place of business in Korea. This is to provide support to offshore enterprises that return to Korea. For income generated from the place of business in Korea that has been expanded after the relevant enterprise has returned to Korea (excluding the "metropolitan overpopulated areas"), a 100% PIT/CIT exemption is available for the first 5 years (or 2 years if the expanded place of business is located in the metropolitan areas) and a 50% PIT/CIT reduction is available in the following 2 years. The tax benefits offered for expansion of an existing place of business in Korea are applicable if the relevant place of business in Korea was expanded on or after 14 April 2020, and are available until 31 December 2021 (last day on which the relevant provisions can be applied).

❖ CIT/PIT Filing and payment extensions

A one month automatic extension 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-sized 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.

For 2019 PIT returns and payments, individual taxpayers are still required to file their PIT returns by the original filing due date of 1 June 2020, but will have until 31 August 2020 to pay PIT (i.e. payment due date extended for 3 months). Taxpayers whose businesses were 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.

<https://english.moef.go.kr/>

<https://www.yulchon.com/en/resources/yulchon-news-view/25998/page.do>



SOUTH KOREA

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Value-added tax (“VAT”) reductions and exemptions

The VAT reduction is available for small individual-owned businesses with an annual turnover of KRW 80M (excluding VAT) or less. The amount of VAT payable by small individual-owned businesses is reduced to the amount of VAT that would be payable by a simplified taxpayer. The calculation of the VAT reduction is complicated, but to explain briefly, the reduction amount is calculated by (i) subtracting VAT calculated under the simplified taxation regime (sum of consideration for supply x rate of value added (5%~30%; relevant rate applicable to the business) x 10%) (ii) from VAT calculated under the ordinary taxation regime (output VAT (10%) – input VAT). The VAT reduction applies from the taxable period including March 23, 2020 (i.e. Q1 2020), until 31 December 2020.

Liability to pay VAT is exempted for simplified VAT taxable persons whose annual turnover is between KRW 30M – 48M, until the end of 2020.

❖ Other measures

30% of the special consumption tax is exempted for cars purchased between January and June 2021. The reduction amount is capped at KRW 1M.

For amounts paid with a credit card, etc., the deduction percentage is doubled for amounts paid in March 2020, and increased to 80% for amounts paid between April and July 2020.

For entertainment expenses incurred during the period January to December 2020, 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).



SOUTH KOREA

FUTURE TAX MEASURES

In July 2020, the Ministry of Economy and Finance announced the proposed tax law amendments, including the following. These proposed amendments were passed by the National Assembly on 2 December 2020, and most changes became effective from 1 January 2021.

EXPANSION OF THE SCOPE OF INVESTMENT TAX CREDITS OFFERED UNDER THE TAX PREFERENTIAL CONTROL ACT (“TPCA”) (Applicable to taxes reported on or after 1 January 2021)

❖ Integration and simplification of the investment tax credit regimes

A new “integrated investment tax credit regime” has been created by integrating and redesigning a number of different tax credit types with different target groups and different levels of incentive.

❖ Significant expansion of the scope of assets subject to tax support

Prior to the amendment, the law provided a list of assets to which various types of tax incentives applied (i.e. positive enumeration). As a result of the amendment, tax incentives are applicable to all types of general tangible business assets and the law provides a list of exceptions for such tax incentives (i.e. negative enumeration). Certain industries are excluded and tax incentives are not provided to investments made in the Seoul Metropolitan Area (no change from the previous law).

❖ Higher incentive for increased investment

Additional tax deductions are offered for any increase in the investment amount (within the limit of 200% of the basic tax deduction amount).

- Basic tax deduction: Amount of investments made during the relevant financial year x Basic deduction rate
- Additional tax deduction offered under the new law: [Amount of investments made during the relevant financial year – Average amount of investments made over the past 3 financial years] x Additional deduction rate

ADDITIONAL CHANGES FOR IMPROVEMENT OF THE BUSINESS ENVIRONMENT

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

Prior to the amendment, tax deductions provided under the TPCA could generally be carried forward for a period of 5 years. As a result of the amendment, all types of tax deductions provided under the TPCA can now 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).



SOUTH KOREA

FUTURE TAX MEASURES

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

The carry-forward period for unused foreign tax credits is 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 can carry forward tax losses for a period of 15 years (extended from 10 years under the previous carry-forward rules). The extended carry-forward period applies to tax losses reported from 2021 onwards (i.e. tax losses incurred in or after 2020).

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The following is an overview of the main tax measures published in Spain (common territory) in response to the economic impact of COVID-19 and other new tax measures. We also share information on general tax measures announced, which may be enacted soon.

NEW DEVELOPMENTS ARISING AS A RESULT OF COVID-19

On 14 March 2020, Spain declared the State of Alarm. This declaration was accompanied by the approval of tax measures, modified and/or completed in the following months. Then, on 25 October 2020, Spain declared a new State of Alarm, mainly focused on potential restrictions of personal movements.

The main measures (other than those related to the deferral of tax payments or to the granting of the possibility of paying tax debts in instalments and other measures aimed at facilitating the compliance of tax-related obligations) are summarised below:

❖ VAT and General Indirect Canary Islands Tax (“GICIT”)

- In addition to the relief from import duties and VAT exemption on importation granted for goods needed to combat the effects of the COVID-19 outbreak during 2020 (Decision (EU) 2020/1573), 0% VAT and GICIT rate applies on imports, intracommunity acquisitions and supplies of certain sanitary products, to be supplied to public entities, private entities with charitable or philanthropic purposes and clinics or hospitals. This 0% VAT/GICIT rate is applicable up to 31 December 2021.
- In vitro diagnostics medical devices, treatments and vaccines required to control and combat Covid-19 (and linked transport, storage and distribution services): According to the Directive 2020/2020, a 0% VAT rate applies to certain operations related to these products from 24 December 2020 to 31 December 2022 (no need to reduce GICIT rate, since 0% rate was already applicable to these products before COVID-19).
- Surgical disposable facemasks:
 - A 4% VAT rate (instead of 21%) is applicable from 19 November 2020 to 31 December 2021.
 - A 0% GICIT rate (instead of 3%) is applicable from 1 November 2020 to 31 December 2021.

❖ Statute of limitation period, time periods and time limits and other procedural measures

All time periods and time limits affecting taxes were interrupted or suspended during the initial State of Alarm, the main implication being that the statute of limitation period for taxes was deemed suspended for 78 days (between 14 March and 31 May 2020). This suspension affects all taxes which were not statute-barred on 14 March 2020.

Whilst this period has now expired, it will increase the time the tax authority has to audit non-statute barred taxes (which must be taken into account, for example, in due diligence processes or in analysing timing issues around documentation requirements).

[Tax Measures COVID-19 \(Q&A published by State Tax Agency\)](#)

[Tax Alerts Garrigues-Covid 19](#)

[Tax Alert Garrigues-DAC6](#)

[Tax Alert Garrigues-Google Tax and Tobin Tax](#)

[Tax Alert Garrigues-Budget Law for 2021](#)

[Tax Alert Garrigues: Hybrid mismatches](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Tax credits for investments in Cinematographic Productions and Audio-Visual series and Automotive Industry (“CIT”) were improved and increased with effect from 2020

Prior to 2020, registered film producers, which execute a foreign production of feature films or audio-visual productions which permit the confection of a physical support before the industrial production, might apply a tax credit on expenses within the Spanish Territory up to the 30% on the first EUR 1 million (25% on the excess of that amount). For this tax credit to be applied, expenses must reach (at least) EUR 1 million (EUR 200,000 for pre-production and post-production expenses on animation and visual effects). The basis for the calculation of the tax credit includes expenses on creative personnel with Spanish or EU/EEE tax residency (limited to EUR 100,000 per individual) and expenses deriving from the use of technical industries and other providers. The credit is limited to EUR 10 million for each production and is capped (together with any other grant or subsidy) at 50% of the cost production.

With effect for fiscal years beginning as from 1 January 2020, an additional 30% credit (on the same basis) may be applied, when the producer is in charge of visual effects services and Spanish expenses are below EUR 1 Million. In this case, the tax credit will be limited according to Regulation (EU) No 1407/2013 on de minimis aid for state aid.

❖ Automotive Industry

Unrestricted depreciation on investments in **tangible fixed assets for monitoring the production chain and implementation of manufacturing systems** based on modular platforms or that reduce the environmental impact, has been regulated. This benefit will apply in fiscal years which conclude between 2 April 2020 and 30 June 2021, to assets (other than real estate assets) acquired and which come into operation between those dates; provided that the average number of staff of the company in 2019 is maintained for 24 months after the assets come into operation. The investment which may benefit from this unrestricted depreciation is limited to EUR 500,000.

The taxpayer has to request a motivated report in which the investment must be qualified as a suitable investment for this tax credit, within a 2 month period after the asset comes into operation (a special application deadline is established for investments made up to 18 November 2020; in this case, the report may be requested up to 18 January 2021).

The **innovation tax credit was improved**. In general, the innovation tax credit amounts to 12% on innovation expenses. With effect for periods beginning in 2020 and 2021 (but including expenses on projects begun only as from 25 June 2020), this percentage will be 50% (for small and medium enterprises) and 15% (for large companies, which comply with certain requirements) for spending on innovation, the outcome of which is a technological advance in the creation of new production processes in the value chain within the automotive industry.

It must be noted that the percentage was fixed initially at 25% for all companies and for all expenses incurred during 2020 and 2021, but the rule was changed in November 2020 with retroactive effect.



SPAIN

NEW AND FUTURE TAX MEASURES

New taxes have been approved and published, and apply from 16 January 2021:

❖ Tax on certain digital services (“Google Tax”)

3% on income arising from services deemed located in Spain, applicable to companies, whose worldwide net income is over EUR 750 million and Spanish net income is over EUR 3 million. The returns will be filed on a quarterly basis.

In December 2020, the regulation project governing this tax was presented, although it has not been approved yet. Among other requirements, any company which is a taxpayer as regards this new tax will have to be registered in the Spanish Registry of Businesses Professionals and Withholders, including persons or companies which are not established in Spain. Taxpayers will have to keep quarterly records for any operation and to prepare a descriptive Memo, which will contain, among other requirements, a description of processes, methods, algorithms and technologies used to locate services, attributing services to the Spanish Territory or calculating income corresponding to each service.

Due to the delay in publishing the corresponding regulations and forms, in January 2021 the State Tax Agency has informed that the first quarterly return will be filed together with the second quarterly return (thus, in July 2021).

❖ Tax on financial transactions (“Tobin Tax”)

0.2% applicable to acquisitions of shares which are quoted in the Spanish market or within the EU, provided that the market capitalisation value exceeds a certain threshold; regardless of the place in which the acquisition takes place and the residence of the parties in the transaction. The returns will be filed in a monthly basis.

Due to the delay in publishing the corresponding regulations and forms, in January 2021 the State Tax Agency informed that the first and the second monthly returns had to be filed together with the third monthly return (thus, in April 2021).



SPAIN

NEW AND FUTURE TAX MEASURES

BUDGET LAW FOR 2021

The **Budget Law for 2021** (published on 31 December of 2020) contains various tax measures including:

❖ Personal taxes (from 2021)

Increases in Personal Income Tax rates for:

- Income above Euro 300,000 (salary income, income from real state and other “non-saving” income): Increase by two points.
- Income above Euro 200,000 (“saving income” –interests, dividends, capital gains-): Increase by three points.
- Increase in Wealth Tax: from 2.5% to 3.5% for equity above Euro 10.7 Million.

❖ Corporate Income Tax for fiscal years commencing as from 1 January 2021

- Limitation of the holding participation exemption to 95% of dividends and capital gains (even in Spanish tax groups). This limitation also affects taxation of dividends when CFC rules apply and tax credit for avoiding international double taxation on dividends.
- The referred holding participation exemption will require that holdings are 5% or higher (so, no exemption when participation has been acquired for more than Euro 20 Million, when that 5% threshold is not met, except when participations were acquired before 1 January 2021). This new requirement is also established for parent-subsidiary exemption for Non-Resident Income Tax.
- Tax credits for investments in Cinematographic Productions and Audio-Visual series are extended to persons who finance the productions made by other taxpayers, and who do not acquire intellectual property rights, provided that some requirements are met (the tax credit will be, in a way, shared by the producers and the mere funders).

HYBRID MISMATCHES

Directive 2016/1164, as amended by Directive 2017/952, as regards hybrid mismatches (“ATAD 2”) has been transposed. Although the new legislation comes into force on March 11, 2021, it applies for **periods that commenced on or after January 1, 2020 that have not ended on that date.**

DAC6

DAC6 has been implemented in the Common Territory in Spain (the transposition law has been published on 30 December 2020 and the regulations have been published on 7 April 2021). Additionally, the 13th of April 2021, the corresponding tax forms have been approved. Information about arrangements where the first step has been implemented as from 25 June 2018 will have to be reported up to the 14th of May of this year 2021.



NEW AND FUTURE TAX MEASURES

❖ VAT-Distance sales

In the 28th of April of 2021, VAT legislation has included new VAT rules applicable to sales of goods over the Internet or through platforms as of 1 July.

With this regulation, the amendments to the VAT Directive for distance sales to final consumers are transposed into national law. Purely "domestic" sales (sales to Spanish customers of goods delivered from Spain) remain unchanged. All the changes relate to sales of goods to customers domiciled in a Member State other than the Member State of origin of the goods or to sales of imported goods.

❖ Tax Reform

- An **Anti Tax Avoidance Project Law** is expected to be approved in 2021. The main announced measures are: (i) A hardening of CFC rules mainly for participation in holding entities or income from permanent establishments abroad, (ii) the introduction of the "non-cooperative jurisdiction" concept (with a broader scope than that of the concept of Tax Haven), which will not be automatically avoided even when a Tax Treaty for avoiding Double Taxation exists. Also, (iii) the deferral of "exit tax" payments due on transfers of persons/assets to the EU or the EEE, will be limited to 5 years.

❖ Brexit

As a consequence of Brexit, UK entrepreneurs no longer have the right to recover input VAT in Spain through the special regime available for EU taxpayers. Therefore, they will have to apply for the special regime envisaged for non-EU entrepreneurs, which requires reciprocity between the UK and Spain. The Directorate General of Taxation has issued a resolution dated 5 January 2021, which grants the right to recover Spanish input VAT (borne as from 4 January 2021) to UK entrepreneurs; nevertheless, considering that the UK does not grant this right to Spanish entrepreneurs in respect of all kinds of input VAT, no refund is granted when input VAT refers to (i) goods or services which are not affected to the business activity, (ii) goods or services which are acquired to be re-sold, (iii) goods or services referred to recreational services or events or (iv) acquisition of vehicles. Also, no refund is granted for (v) 50% of input VAT on vehicles for renting or leasing. A similar resolution has been published related to GICIT on 5 February 2021.

It must be noted that entrepreneurs located in Northern Ireland will not be subject to the referred limitations for the acquisition of assets (only for services), in respect to their specific protocol.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

MEASURES RELATING TO ENTERPRISES

- ❖ The Tax Agency's possibility to grant, upon application, companies a deferral of payments of withheld wage tax, social security contributions and VAT is extended through January 2021. Deferral can be approved for one plus one year. Maximum number of periods (months) to get a deferral is to be increased to seven months.
- ❖ Reduction of employer social security contributions from March to June 2020. Reduction from 31.42% to 10.21% for a maximum of 30 employees per month and on salary up to SEK 25 000/month.
- ❖ The employer can give tax-free gifts of a maximum value of SEK 1,000 per employee in the period June 2020 through December 2021. 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.
- ❖ A company can receive state support with a portion of the salary costs for short-time temporary lay-offs of 20, 40 or 60% (of full time) in the period mid-March to June 2021 (for the periods May-July 2020 and January-March 2021 the lay-off could amount to 80%). The support is capped at salaries of SEK 44,000/month. Cost reduction for the employer will amount to 18-72%.
- ❖ The state will reimburse all or part of an employer's sickness pay in the period April 2020 through April 2021.
- ❖ Cash support to companies with a revenue drop in the period March 2020-April 2021. Minimum drop in March-April: 30%, May; 60% June-July: 50%, August-October: 40% and November 2020-April 2021: 30%. Maximum support, which is capped, is 70-75% (90% for small companies in November 2020-April 2021) of the drop. The application window for March-July 2020 has closed. Enhanced support of up to 100% of fixed costs for companies who are forced to shut down due to the decision by the Government (to date no such decisions have been issued).
- ❖ Special cash support towards revenue drop for sole traders and pass-through companies is available for the period March 2020-April 2021. Similar requirements as the support for companies. Application window for the period starting in August 2020 is still open.

MEASURES RELATING TO INDIVIDUALS

- ❖ Free parking at the place of work provided by the employer is tax free in the period April through December 2021.
- ❖ 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.

Government of Sweden's website:
click [here](#).



SWEDEN

OVERVIEW OF PUBLISHED COVID-19 MEASURES

FUTURE TAX MEASURES

- ❖ **DAC6** has been implemented and came into force in Sweden from 1 July 2020. For cross-border tax arrangements that have taken place from 1 July 2020, reporting has to be done at latest by 31 January 2021.
- ❖ New foreign expert tax relief rules
 - The maximum validity of special tax relief for foreign experts and key persons ("expert tax") is extended from three to five years.
 - For employers, this means that the basis for employer contributions is reduced by 25% during the period in which the employee has been granted tax relief.
 - For the employee, this means that the corresponding share (25%) of gross income is tax-free.
 - Only applicable on income paid by a Swedish employer.
- ❖ Temporary reduction of social security contributions for employees age 19 - 23
 - Applicable January 2021 – December 2023
 - Reduction of the employer social security contributions from 31.42% to 19.73%
 - Reduction available for salary up to SEK 25,000/employee.
- ❖ State support to landlords who reduce the rent (for businesses) in the period January – March 2021 can be reimbursed from the State with up to 50% of the rent reduction.
- ❖ **Expected proposals in 2021**
 - Increase of deduction of social security contributions concerning employees involved in research or development
 - The requirement for how much of the working time during the calendar month that the employee has worked within research or development should be reduced to 50% instead of at 75% of the working time.
 - The highest total deduction that may be made for all persons working with research or development at the taxpayer is increased from SEK 450,000 to SEK 600,000 per month. The cap is per Group.
 - The amendment is proposed to enter into force on 1 July 2021.
 - Temporary tax reduction for investments
 - Temporary tax reduction of 3.9% of the acquisition value of equipment that has been acquired during the period 1 January up to and including December 31, 2021.
 - The tax reduction is proposed to apply in addition to the ordinary system for depreciation deductions.
 - The equipment proposed to be covered by the proposal is machinery and other tangible equipment that is intended for permanent use in the business and which may only be depreciated through annual depreciation deductions.
 - The amendment is proposed to enter into force on 1 January 2022.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The following is an overview of the main tax measures published in the UK in response to the economic impact of COVID-19. Please note that a number of measures have been in force since the outset of the pandemic and have been amended over time.

❖ Coronavirus Job Retention Scheme ('CJRS')

The CJRS is available to all UK employers to enable them to access support to pay part of their employees' salaries if those employees would otherwise be made redundant as a result of the crisis. The scheme was due to close at the end of October 2020 but has now been extended up until the end of April 2021. Employers do not need to have used the scheme previously and they can claim whether their businesses are open or closed. Until at least January 2021, the government will pay 80% of wages for hours not worked up to a cap of £2,500. Employers will pay employer NICs and auto enrolment pension contributions. The first claims can be made from 11 November 2020.

❖ "Time to Pay" Arrangements

If a business needs additional time to pay all taxes, HMRC has extended its "Time to Pay" helpline arrangements. Businesses can request deferrals for VAT, payroll taxes and direct tax. These deferrals would normally be repaid in instalments. Ordinarily penalties do not apply if this is agreed before the debt is due. HMRC is now increasingly requesting more evidence to support applications for Time to Pay arrangements and this includes bank statements and cashflow forecasts.

❖ Tax Losses

Normally if a company wants to carry back corporate tax losses to a previous year to obtain a corporation tax repayment, then it has to file the tax return for the loss making period first. HMRC has said that they will consider loss carry back claims for the previous accounting period where circumstances indicate the current accounting period losses will be available. It is not necessary for the current year accounting period tax return to have been filed, but HMRC expects a high degree of proof to agree such claims.

❖ Extension of Filing Deadlines

Companies House in the UK has allowed all companies to apply for a three month extension to their filing deadline. 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.

❖ Extension of DAC6 Deadline

HMRC has extended the deadline to report under DAC 6. Previously reporting was to be due from 31 August 2020. However, HMRC has now allowed an extension to the period ended 31 January 2021 for those reportable transactions taking place between 1 July 2020 and 31 December 2020 and 28 February 2021 for those reportable transactions taking place before 30 June 2020. Furthermore, since the signing of the UK-EU Free Trade Agreement, DAC 6 reporting has been restricted to solely the Category D Hallmarks.

<https://www.alvarezandmarsal.com/expertise/uk-tax>

Government of the UK's website:
click [here](#)



UNITED KINGDOM

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Reduced Rate of VAT on certain supplies

From 15 July 2020, a reduced 5% rate of VAT applies (previously 20%) to supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises across the UK. Similarly, from 15 July 2020, a reduced 5% rate of VAT applies (previously 20%) to supplies of accommodation and admission to attractions across the UK.

FUTURE TAX MEASURES

Announced measures which may be enacted in the coming months.

❖ VAT

- The domestic reverse charge for supplies of building works or construction has been deferred until 1 March 2021.
- MTD phase 2 for VAT purposes; the requirement to have digital links in place, has been deferred to 1 April 2021.
- The VAT rate for the hospitality and tourism sector (see previous slide) was reduced to 5% and was due to be increased back up to 20% on 13 January 2021. The reduced rate of 5% is now to be kept until 31 March 2021.
- Businesses deferring their VAT due, earlier in the period to 30 June 2020, were due to repay the deferred amount in full to HMRC in March 2021. However, businesses will now be allowed to spread the amount due to be repaid over 11 instalments throughout the 2021-2022 financial year.

❖ Employer Taxes

- IR35 in the private sector has been deferred until 6 April 2021.
- The Coronavirus Job retention Scheme ("CJRS") was due to end on 31 October 2020 (see previous slide), but has now been extended until the end of April 2021.
- A new job support scheme has been announced, which was due to run from November 2020 for a period of 6 months. However, this has now been deferred until at least April 2021 due to the extension of the CJRS. All small and medium businesses are eligible to apply, but larger businesses will be required to demonstrate that their business has been adversely affected by COVID-19. The support to be given is different to CJRS and eligible employees will be those working and being paid at least a third of their normal working hours. Another key difference to CJRS is that there will be a funding gap for the employee; as the employee will be recognising a drop in their take home pay and their employer will not be expected to top up the shortfall. The UK government and the employers will cover the cost of two thirds of the pay that the employee has lost due to having their hours reduced. There will be a cap of £697.92 per month. Employers will need to pay NICS and auto enrolment pension contributions on the amounts due to the employee.

❖ Personal Tax

- Individuals with income tax liabilities up to £30,000 can now benefit from an additional 12 month payment holiday under "Time to Pay". This means payments previously deferred from July 2020 and those due in January 2021 will now not need to be paid until January 2022.
- The Self Employment Income Support Scheme ("SEISS") is to be extended. An initial lump sum will be paid to cover the period from November 2020 to January 2021. This will be worth 80% of average monthly profits, up to a total of £7,500.

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