



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

SEPTEMBER 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.

❖ Knowledge Economy Promotion Regime

The Federal Government introduced important tax benefits to promote activities in the sector and favor the development of technology companies, consisting of a segmented reduction of the Income Tax according to the size of the company and a reduction of up to 70% in employers' contributions. Additionally, benefits were contemplated in employer contributions related to a social inclusion policy.

❖ Incentive regime for Argentine federal construction and access to housing

This regime was implemented to promote the development or investment in real estate projects carried out in Argentina, which includes tax benefits for those who affect funds already declared to the construction sector, as well as a voluntary declaration program of possession of foreign currency and / or national currency in the country and abroad, to affect them to real estate projects.

❖ Changes In The Income Tax For Employees

It was determined that those people under labor relationship whose gross monthly wages and / or assets received are equal to or less than AR\$ 150,000 (US\$ 1,600) stop paying the tax.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Australian Federal Government has announced over A\$291 billion in economic measures specifically aimed at assisting businesses and households during the COVID-19 pandemic. The measures include those directed towards providing direct support and relief to taxpayers (businesses and employees) and others that are directed towards stimulating the Australian economy as a means of recovering from the economic impact of the COVID-19 crisis.

The initial flagship measure, the temporary wage subsidy program “JobKeeper”, has now been replaced by enhanced “JobSeeker” unemployment benefits, together with “COVID-19 Disaster Payment” wage supplements. Some of the main tax measures and concessions are highlighted below.

❖ Australian Taxation Office administrative concessions

The Australian Taxation Office (“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 currently available concessions include:

- Allowing businesses to enter into payment plans where they are unable to pay superannuation guarantee amounts on time, provided the taxpayer lodges a Superannuation Guarantee Charge Statement within a predetermined timeframe;
- Allowing businesses to vary PAYG instalment amounts, and to claim a credit for any instalments during the current financial year;
- Allowing businesses on a quarterly Goods and Services Tax (“GST”) reporting cycle to opt into monthly reporting to expedite access to GST refunds;
- Remitting interest and penalties incurred after 23 January 2020, which have been applied to tax liabilities;
- Allowing GST-registered importers (including offshore providers of low-value goods, services and digital products) to defer payments of GST on all taxable importations into Australia; and
- Allowing extensions of time for making minimum yearly repayments with respect of Division 7A loans.

Earlier on in the pandemic, the ATO had also demonstrated a willingness to afford administrative relief by:

- 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; and
- Allowing businesses to enter into low interest payment plans to assist with existing and ongoing tax liabilities.

The availability of the above relief will depend upon a taxpayer’s specific circumstances.

<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/Additional-support-during-COVID-19/>

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

<https://www.corrs.com.au/insights/2021-22-federal-budget-tax-measures>

<https://www.corrs.com.au/insights/2020-federal-budget-tax-measures>



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

❖ Permanent establishment administrative concession

Acknowledging that COVID-19 travel restrictions pose physical impediments to relocating employees, creating a permanent establishment risk to foreign companies with employees or officers in Australia, the ATO has released guidance stating that it will not apply compliance resources to determine whether a company has a permanent establishment in Australia, provided:

- The company did not otherwise have a permanent establishment in Australia prior to the onset of COVID-19;
- The temporary presence of employees in Australia continues to solely be as a result of COVID-19 related travel restrictions;
- Those employees temporarily in Australia will relocate overseas as soon as practicable following the relaxation of international travel restrictions; and
- The employer has not recognised those employees as creating a permanent establishment, or as generating Australian source income for the purpose of the tax laws of another jurisdiction.

This administrative relief is due to expire on 31 December 2021.

❖ 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. There are also industry and sector specific support measures in each State and Territory.



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

The Federal Government's Economic Recovery Plan, released in October 2020, included the following new business and personal tax measures.

❖ 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. Notably:

- 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.

A proposal to extend this measure through to 30 June 2023 was announced in the 2021-22 Federal Budget, however has yet to be enacted.

❖ 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.

A proposal to extend this measure through to the 2022/23 tax year was announced in the 2021-22 Federal Budget, however has yet to be enacted.

❖ Corporate tax residency

It was announced that 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 a 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, which are yet to be enacted, 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.



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

❖ Fringe benefits tax exemption for retraining and reskilling expenses

Since 2 October 2020, retraining and reskilling benefits offered to redundant, or soon to be redundant employees have been exempt from fringe benefits tax ("FBT"). The exemption only applies to expenses incurred for the purpose of assisting that employee to gain new employment and the exemption will apply even where an employee is redeployed within the same business.

❖ 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 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. The rates exclude the Medicare levy of 2%.

Employers were required to update their payroll processes to reflect these tax cuts by 16 November 2020.

❖ Individual tax residency

In the 2021-22 Federal Budget delivered on 11 May 2021, it was announced that the individual tax residency rules will be 'modernised' based on recommendations made to the Board of Taxation in 2019. The primary test will be a 'bright line' test whereby a person physically present in Australia for 183 days or more in any income year will be deemed an Australian tax resident. Individuals who do not satisfy the primary test will be subject to secondary tests which consider physical presence together with other objective criteria.

Again, these changes, which are also yet to be enacted, are anticipated to be particularly relevant in the post-COVID environment considering the increased prevalence of remote working.



AUSTRALIA

RECENTLY ANNOUNCED COVID-19 MEASURES

❖ Enhanced 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.

Relief has not been extended and the regime has now reverted to the previous, lower thresholds (which were in force before 12 March 2020). For assets first used, or installed ready to use from 1 January 2021, only small businesses with turnover less than A\$10 million will be able to access the instant asset write-off and the write-off will only be available with respect of assets valued at less than A\$1,000.

❖ 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 or temporary full expensing (as discussed above), are excluded from this measure.

This measure has not been extended. Resultantly, accelerated asset depreciation cannot be applied to assets which are first used or installed ready to use, for a taxable purpose, from 1 July 2021.

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AUSTRALIA

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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.

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 1 July 2021 allows the grant of a monthly **home working allowance**, limited to €144,31 for the period between 1 July 2021 and 30 September 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 September 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, Corona (VI) of 18 July 2021 and other more specific acts. The list below emphasises the most important measures introduced in this respect.

- ❖ **Corona (I)** includes among others temporary 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 temporary reduction of 50% of professional withholding tax under certain conditions; (ii) a tax-free consumption cheque; (iii) an elevated deduction of reception costs (as of 8 June 2020 until 31 December 2020) and (iv) an increased investment deduction for investments made between 12 March 2020 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 of 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. **Corona (VI)** extends (with certain additional conditions) the regime for the months of June, July, August and September 2021.
- ❖ **Corona (VI)** also provides for a tax-free “corona premium” in the form of consumption cheques (up to €500 per employee), subject to certain conditions.
- ❖ 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

❖ 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 and have been extended to 23 October 2021.

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. These programs have been extended to 23 October 2021.

<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. These programs have been extended to 23 October 2021.

❖ **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.



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. 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.

This program has been extended to 23 October 2021.

❖ **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. 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. This program has been extended to 23 October 2021.

❖ 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.

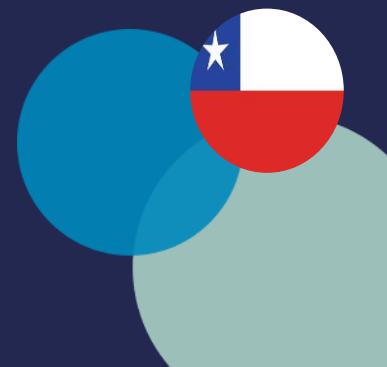
❖ VAT

- 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.
- SMEs may request reimbursement of the remaining tax credit accumulated between 1 March 2020 and 31 May 2021. It's mandatory to apply to this measure, that in the VAT filing for June 2021, the SMEs declare a remaining tax credit. This reimbursement can only be applied for once, between July and September.

❖ Real Estate Tax

- Payment of real estate tax payable in September and November 2020 is deferred for taxpayers 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 taxpayers, 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

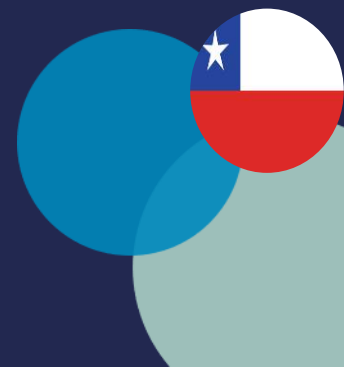
- Payment of real estate tax payable in April and June 2021 is deferred without fines or interest for corporations, which sales does not exceed 100.000 *Unidades de Fomento* and has suffered a sales decrease at least of 30% of the sales average between January and February 2021. The payment of this tax 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 abovementioned 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. Also, the President of the Republic, enacted on 11 June 2021, a Law, that establish a transitory reduction of interest accrued for non-payment of taxes. This measure reduces the interest rate from 1.5% to 0% and applies to all tax debts issued until 31 December 2021.
- 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. Regarding SMEs Law No. 21.354 published in the Official Gazette on 17 June 2021, establishes the "Relief Bonus to MYPEs", for the amount of \$1,000,000, for those who have started activities in the first category until March 31, 2020, whose annual sales income has not exceeded UF 25,000 during the calendar year 2020, and who meet the requirements to benefit from the Pro-SME Regime contemplated in letter D) of Article 14 of the Income Tax Law. In order to receive the bonus it will be sufficient to meet some requirements detailed in the Law. Secondly, it establishes an Additional Variable Bonus, for MYPEs affected to the payment of VAT that meet the requirements for the relief bonus, equivalent to three months of the average VAT paid in 2019, with a cap of \$2,000,000 million. The amounts corresponding to the two previous bonuses will be increased by 20% in the event that the natural person or the owner of an individual limited liability company is a woman.



CHILE

OVERVIEW OF PUBLISHED COVID-19 MEASURES

- 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. 1223 amends Decree No. 611 in two respects. The first one refers to the percentage of remission that taxpayers may request, i.e., from 90% to 100% of the fines and interest accrued on tax debts. In addition, the decree empowers the Treasury to grant payment facilities to taxpayers through different agreements for the compliance of their tax obligations. As well, the law enacted on June 11, 2021, authorizes the Treasury to grant payment facilities of up to 4 years for all tax debts of SMEs, these facilities may include the total remission of fines and interest.
- The second modification of Decree No. 1223 is regarding the extension of the exemption status in force in Chile until December 31, 2021.

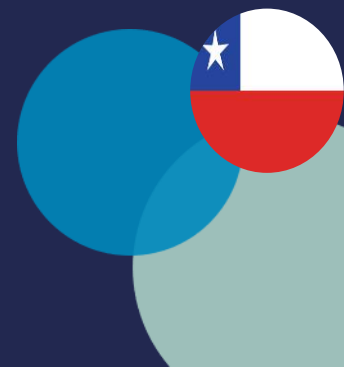
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

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.

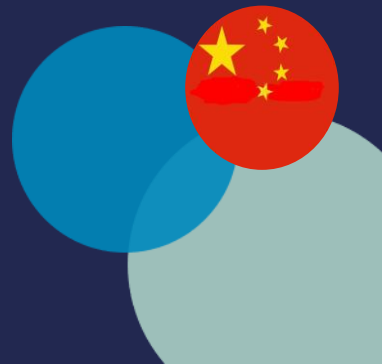
❖ Losses carried forward

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/zcwj/>



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.



❖ 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.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Government support for employers – Antivirus plan

The following plan is available for companies who have been impacted by Covid-19 to reimburse wages paid to employees:

- **Plan A - Quarantine** – applicable until 31 October 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.

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.

❖ VAT exemption of supplies of goods

VAT exemption is applicable on the supplies of respirators in the period from 3 February 2021 until 31 October 2021.

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



❖ 2021 Amendment to the Income Taxes Act

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.

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

A new set of rules for the so-called „kurzarbeit“ (part-time work with a state contribution) has been approved. Kurzarbeit could then in future be set into effect by the Czech government during a period of jeopardy to employment. Employees would in such case be paid 80% of their average wages for the unworked hours and state contribution will be 80% of this amount and along with taxes and levies overall support would be up to 1.5 times of the state average wage. The reduction of working hours would range from 20% to 80% (one to four working days out of a five-day working week).



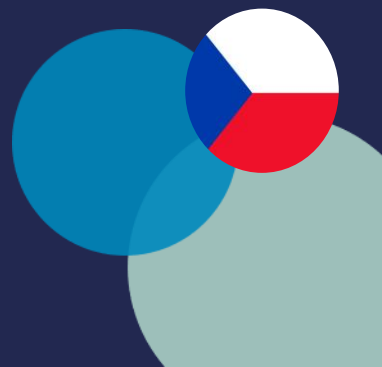
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Extended deadlines for remission and payment of VAT

The Danish Government extended the deadlines for remission and payment of VAT in 2020. The filing deadlines for 2021 have not been extended meaning that 2021 VAT returns follow the ordinary remission deadlines.

❖ Extended deadlines for payment of tax on labour costs

The filing deadlines for 2021 have not been extended meaning that 2021 returns follow the ordinary remission deadlines.

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

The submission deadline for corporate income tax returns has been extended. For personally owned companies with original filing deadline on 1 July 2021 for the income year 2020, the deadline has been postponed to 1 September 2021. For companies with original filing deadline on 30 June 2021 for the income year 2020, the deadline has been postponed to 1 September.

❖ Extended deadlines for payment of B-tax

No extensions of deadlines for B-tax have been granted for 2021.

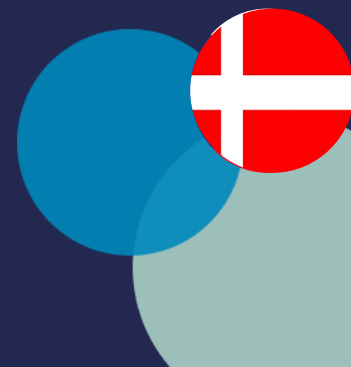
❖ Extended deadlines for payment of withholding tax on salary income and labour market contribution

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

- The deadline of 10 February 2021 for January 2021 has not been extended
- The deadline of 10 March 2021 for February 2021 has not been extended
- The deadline of 12 April 2021 for March 2021 has not been extended
- The deadline of 10 May 2021 for April 2021 has been extended to 27 September 2021
- The deadline of 10 June 2021 for May 2021 has been extended to 31 January 2022
- The deadline of 12 July 2021 for June 2021 has not been extended
- The deadline of 10 August 2021 for July 2021 has not been extended
- The deadline of 10 September 2021 for August 2021 has not been extended

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

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



OVERVIEW OF PUBLISHED COVID-19 MEASURES

- The deadline of 11 October 2021 for September 2021 has not been extended
- The deadline of 10 November 2021 for October 2021 has not been extended
- The deadline of 10 December 2021 for November 2021 has not been extended
- The deadline of 17 January 2022 for December 2021 has not been extended

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

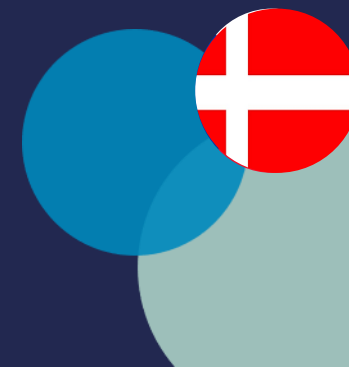
❖ Extended deadlines for payment of withholding tax on salary income and labour market contribution

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

- The deadline of 29 January 2021 for January 2021 has not been extended
- The deadline of 26 February 2021 for February 2021 has not been extended
- The deadline of 31 March 2021 for March 2021 has not been extended
- The deadline of 29 April 2021 for April 2021 has not been extended
- The deadline of 31 May 2021 for May 2021 has been extended to 15 October 2021
- The deadline of 30 June 2021 for June 2021 has been extended to 17 January 2022
- The deadline of 30 July 2021 for July 2021 has not been extended

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

- The deadline of 31 August 2021 for August 2021 has not been extended
- The deadline of 30 September 2021 for September 2021 has not been extended
- The deadline of 29 October 2021 for October 2021 has not been extended
- The deadline of 30 November 2021 for November 2021 has not been extended
- The deadline of 30 December 2021 for December 2021 has not been extended

❖ VAT loans to small and medium-sized companies

Small and medium-sized companies have been able to apply for an interest free loan corresponding to the VAT amount paid to the Danish Tax Authority since 2020. The latest application period for small companies with biannual VAT submissions ran from 17 March 2021 to 14 April 2021 and covered the VAT return for the second half year of 2020. The loan is due for payment on 1 February 2022. The latest application period for medium sized companies with quarterly VAT submissions ran from 1 June to 16 June 2021 and covered the VAT return for the first quarter of 2020. The loan is due for payment on 1 November 2022. Loans have been available for previous periods as well, but the application deadline has expired.

❖ Tax loans to small and medium-sized companies

Small, medium-sized and large 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 October 2020. The application period runs from 8 June 2021 to 22 June 2021. The loan will be due for repayment 1 May 2023. Loans have been available for previous periods as well, but the application deadline has expired.

❖ The maximum on the tax account has been raised

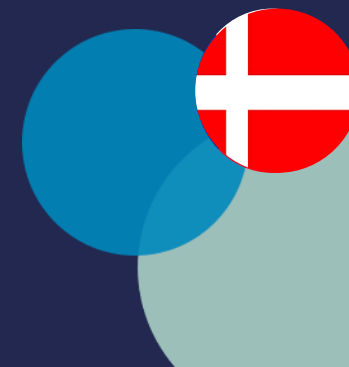
Companies are given the opportunity to raise the tax account to maximum 100 billion in the period 7 May 2020 to ~~4 November 2021~~ 1 May 2023.

❖ DAC6

DAC6 has been implemented and entered into force in Denmark 1 July 2020. ~~However, the reporting deadlines have been extended 6 months.~~ The 30 day reporting deadline was initially suspended but has come into force from 1 January 2021.

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

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



DENMARK

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ 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.

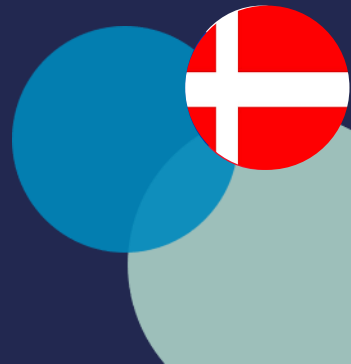
❖ Tax liability in Denmark

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.

KEY CONTACTS



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The Government adopts revised hybrid strategy. In its negotiations on 6 September, the Government decided on measures to open Finland and lift the restrictions imposed due to the COVID-19 pandemic. The Government aims to dismantle the nationwide restrictions and comprehensive recommendations when at least 80 per cent of people over 12 years of age have been vaccinated twice or they have been offered the opportunity to get vaccinated twice. The implementation of the revised hybrid strategy will begin in stages even earlier.

❖ Corporate 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.

❖ 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.

❖ Payment arrangement for individual and corporate taxpayers

Taxpayers having temporary financial difficulties could request for a payment arrangement. As of 1 September, requests for payment arrangement are processed according to regular terms. In regular arrangements, the late-payment interest is 7%, and the tax refunds received after the arrangement's start date will be applied on the unpaid taxes covered by the payment arrangement.

<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

❖ Culture benefit can be used for virtual events

Culture vouchers i.e. the tax exempt benefit provided by the employer, can now also be used for virtual cultural events. The benefit can also be used to cover entrance fees to sports and cultural fairs and events.

❖ 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.

❖ Goods used to combat the Covid-19 epidemic are temporarily exempt from VAT

Domestic sales of goods used for the prevention, testing and treatment of infection due to the Covid-19 epidemic and intra-Community acquisitions from other EU countries are temporarily exempt from VAT. The tax exemption applies to sales to the public sector and is valid until 31 December 2021.

❖ Possible introduction of a negative income tax

A working group is investigating the prospects for introducing an earned income subsidy implemented in respect of state income tax. This would mean that taxation of earned income could be negative for those employees, pensioners, entrepreneurs and self-employed people who are in the low-income band. The earned income subsidy would provide an employment incentive in such areas as part-time and gig work and would also extend the progression of income taxation to lower earning levels where no tax is payable on earned income.

❖ Increases proposed to unemployment insurance contributions

The Supervisory Board of the Employment Fund approved the Fund's budget for 2022 and decided to propose changes in the unemployment insurance contributions as follows. The total unemployment insurance contributions would be increased by 0.20 percentage points. The proposal is to increase the average contribution for employers by 0.10 percentage points and the employee contribution by 0.10 percentage points. This would take the average unemployment insurance contribution for employers to 1.51% and the employee contribution to 1.50% of payroll in 2022.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ 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.

❖ Current accelerated depreciation rules for machinery and equipment will be extended

To support growth and investments, the Finnish Government is extending the temporary double depreciation rules for machinery and equipment until 2025. Thus, a taxpayer carrying on a business or agriculture may deduct up to 50% of the acquisition cost of acquired machinery or equipment instead of 25%.

❖ Additional tax deduction for research and development activities

An additional deduction of 150% can be made for research and development expenses that are based on research and development cooperation between companies and research organisations. The reform is temporary and applicable between 1 January 2022 and 31 December 2027.

❖ Interest deduction limitation provision will be reformed

The Finnish Ministry of Finance is preparing a government bill concerning the revision of interest deduction limitation provision. The provision will be reformed by restricting the application of the balance sheet exemption so that the provision effectively prevents the transfer of taxable income outside Finnish taxation in private equity structures. The suggested legislative changes are planned to take effect as of the beginning of 2022.

❖ Transfer pricing adjustment provision will be reformed

The Finnish Ministry of Finance is preparing a government bill concerning the revision of the Finnish transfer pricing adjustment provision. The suggested legislative amendments would allow making transfer pricing adjustments to the full extent permitted by the OECD Transfer Pricing Guidelines. The revised transfer pricing adjustment provision is planned to take effect as of the beginning of 2022.

❖ Proposed implementation of the concept of economic employer

The Finnish Ministry of Finance is preparing a government bill concerning the implementation of the concept of an economic employer in Finnish tax legislation. The proposed legislative amendments would expand Finland's right to levy and collect taxes when an employee has a formal employer abroad, but the work conducted is performed for a Finnish employer that is considered to be an economic employer under the suggested legislation. The suggested legislative changes are planned to take effect as of the beginning of 2022.



FUTURE TAX MEASURES

❖ **Taxation of foreign funds' real estate investments will be expanded**

The Finnish Government aims to expand Finland's right to levy and collect taxes on gains derived from the real estate investments of foreign funds as broadly as possible from the beginning of 2023. The details of the implementation are still open and will be specified during their preparation.

❖ **Exit tax on individuals will be introduced from the beginning of 2023**

The Finnish Government decided to introduce exit tax on individuals. The legislative changes are planned to take effect as of the beginning of 2023. The details of the implementation are still open and will be specified during their preparation.

❖ **Mining tax will be introduced from the beginning of 2023**

A mining tax is planned to be introduced in 2023. The final model and the concrete method of implementation of the mining tax will be decided during its preparation.



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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 2020 and 30 June 2021. 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. Please note that the amending bill allows for this mechanism to apply until 31 December 2021.

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.

❖ Early repayment of account receivables for losses carried back

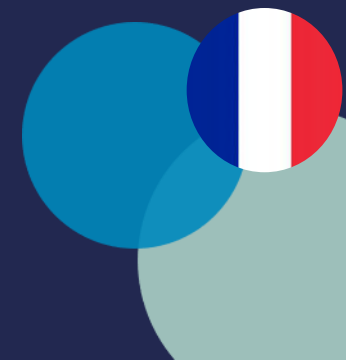
Companies subject to CIT may request as soon as 2020 the immediate reimbursement of their stock of receivables.

<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>



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 (the amending finance bill for 2021 extends this measure until 31 December 2022)

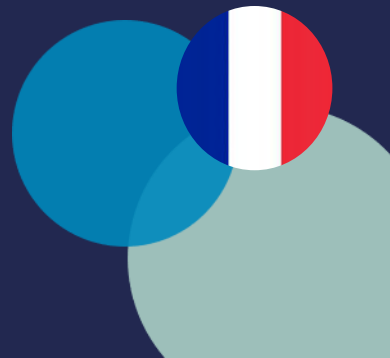
❖ Landlords waiving rents to companies with less than 5,000 employees closed or impacted by the lockdown in November 2020 would obtain a **tax credit equal to 50% of the rent waived** as for November 2020. **Companies may benefit from this credit until 31 December 2021.** However:

- 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 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 following rules are applicable from June:

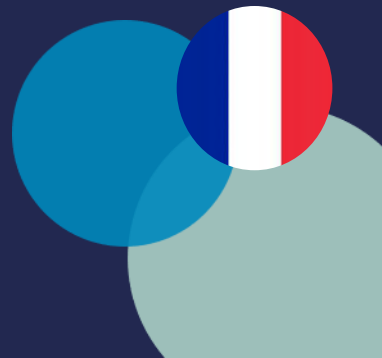
- Companies under administrative closure: These companies may benefit from (i) a monthly compensation of €10,000 or (ii) a compensation equal to 20% of the turnover realised on the same period the year before, limited to €200,000.
- Companies from certain sectors (tourism, culture, events & sport) which benefited from the solidarity fund in May: monthly compensation equals to (i) 40% of the turnover loss in June, (ii) 30% of the turnover loss in July or (iii) 20% of the turnover loss in August.
- The solidarity fund is maintained for the month of September under the same conditions as for the month of August, i.e. compensation of 20% of the loss of turnover, as soon as the company can prove a loss of at least 10% of its turnover. In order to encourage activity, companies will have to justify a minimum level of turnover of 15% of the turnover realized in September 2019 to benefit from the solidarity fund in September 2021. As from October, the solidarity fund will be maintained only for overseas departments and territories, where the health situation still requires mandatory administrative closures.
- Additionally, measures of aid for the payment of social security contributions will be abolished on 31 August 2021

❖ Measures to support businesses announced on 2 March 2021

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 August 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.

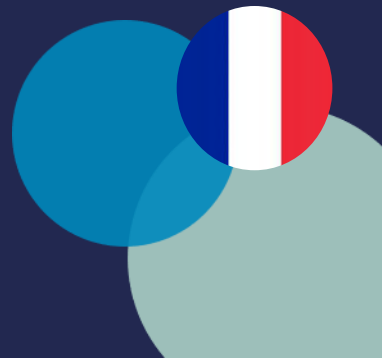
In addition, as some small businesses have higher than average fixed costs and are insufficiently covered by the solidarity fund, the scheme will be open to businesses in the following sectors without turnover criteria (but meeting the other two conditions):

- 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 ;
- night clubs.

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.

As from 1 October 2021, this measure will concern all companies in sectors whose activity is still penalized by the sanitary restrictions (sectors S1 and S1bis). These companies will no longer need to have a turnover of one million euros to benefit from the measure



OVERVIEW OF PUBLISHED COVID-19 MEASURES

ADDITIONAL MEASURES ANNOUNCED BY THE FRENCH GOVERNMENT

❖ Help following the acquisition of an ongoing concern

This aid is intended for companies that acquired, between 1 January 2020 and 31 December 2020, at least one business whose activity was prohibited from receiving the public without interruption between November 2020 and May 2021 and that had no turnover in 2020.

This new aid, complementary to the solidarity fund, is limited to €1.8 million. In detail, the aid is open to companies that cumulatively meet the following conditions

- have been created by 31 December 2020 at the latest ;
- have taken over a business in its entirety between 1 January 2020 and 31 December 2020;
- still be the owner of the business when the application is submitted;
- have the same main activity (for example, a restaurant taking over a restaurant);
- have a business whose activity was subject to a ban on receiving the public without interruption between November 2020, or the date of acquisition of the business, and May 2021;
- have not generated any turnover in 2020.

The aid is calculated on the basis of the gross operating surplus at fixed costs and cannot exceed €1.8 million.

❖ Extension of the mutual agreements concerning the taxation of cross-border workers

In March and July 2020, mutual agreements were reached with Germany, Belgium, Italy and Switzerland so that persons benefiting from the specific tax regimes for workers residing and working in border areas may continue to benefit from them even if they are forced to stay at home during the health crisis linked to Covid-19.

ADDITIONAL MEASURES PUBLISHED WITHIN THE CONTEXT OF THE AMENDING FINANCE LAW for 2021, DATED 19 JULY 2021

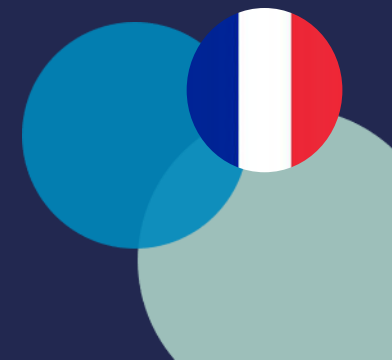
❖ Taxation of aids granted to companies

The methods of taxation of aid paid to companies in the context of the health crisis are specified:

- the exemption from income tax, corporate tax and all legal or conventional social contributions and fees is maintained for aid paid by the solidarity fund and its specific version for nightclubs from 2021 or for financial years closed since January 1, 2021;
- aid for takeovers is exempt under the same conditions as of a date set by decree. This date may not be more than 15 days after the date of receipt by the Government of the decision of the European Commission allowing it to be considered in compliance with European Union law on State aid.



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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

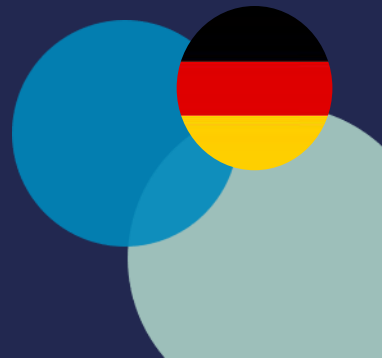
❖ Memorandum of Understanding for cross-border commuters (several decrees)

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 agreements have been extended regularly and currently run at least until the end of September 2021.

The agreements with **Austria** and **Switzerland** also include 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>



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.

The deadlines for filing income tax returns for the **year 2020** were also extended by three months: legislation was implemented that provides for an extension of the deadline for income tax returns prepared by tax advisors/lawyers to 31 May 2022. Income tax returns prepared by taxpayers themselves are to be filed by 31 October 2021 (usually by 31 July of the subsequent year). The time period for interest charges on tax assessments is also postponed by 3 months.

CORONA TAX ASSISTANCE ACT ("CORONA-STEUERHILFEGESETZ")

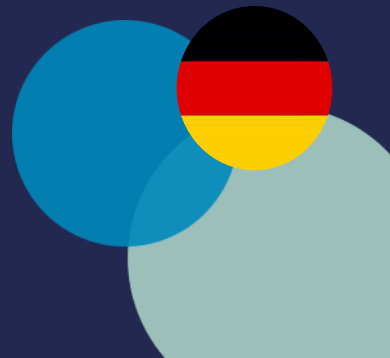
On 6 May 2020, the Federal Government adopted the Corona Tax Assistance Act. Among other things, the new law provided for the following:

❖ 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. The time period was extended twice and currently runs until 31 March 2022.

Please also note that importantly:

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

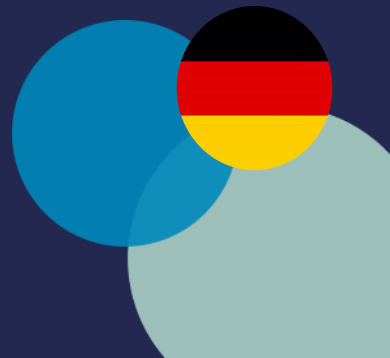
In accordance with the announcement by the EU Commission, the deadlines for the notification of cross-border tax arrangements were to be extended for three months. The Federal Ministry of Finance is authorised to adapt the legal deadlines for the notification obligations in accordance with the EU proposals (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 :

❖ Extension of payment of tax liabilities of March – June 2020

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 of February – April 2020

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 the above tax liabilities by 31.12.2021 have been recently issued. For social security contributions, a Decision has been recently issued setting the updated payment deadline of 31.12.2021 applicable to the respective February – April 2020 amounts due.

❖ Revised framework for settlement of tax and social security 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.

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| Resource Center
<https://zeya.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

By virtue of a recent regulation, the above framework for the settlement of tax liabilities arisen during the period March 2020 – July 2021 has been revised providing payment in 36 or 72 interest-free instalments under specific conditions. Likewise, a similar regulation has been also published for the settlement of social security contributions that have arisen in the same period with a payment schedule for up to 72 instalments. Additional clarifications and implementation details for such settlement schemes have been recently provided through relevant interpretative decisions issued by the competent authorities on this issue. Application for the said settlement scheme is made via submission to a special electronic platform which was made available to taxpayers through the tax authorities system on 30 September 2021.

TAX AND SOCIAL SECURITY MEASURES:

❖ 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 – July 2021

Payment of tax and social security liabilities based on settlement schemes has been successively deferred for instalments payable until March 2021 and has recently been extended to cover also those due in April and May 2021 by virtue of relevant Decisions setting the implementation guidelines in this respect.

For the above settled tax liabilities, payment is deferred until the last working day of the following month as of the payment deadline of the last instalment of the scheme.

For the settled social security contributions, a one-month payment deferral is provided applicable also to all consecutive instalments falling due in subsequent months.

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

By virtue of recent Ministerial Decisions, the above measure has been extended to also cover instalments of tax and social security liabilities based on settlement schemes due in June 2021 and, very recently, instalments of tax liabilities due in July 2021. The same payment deadlines apply for the June 2021 and July 2021 settled tax and social security obligations, i.e. by the last working day of the following month as of the last instalment's payment deadline and by one month from the initial deadline, respectively.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

TAX AND SOCIAL SECURITY MEASURES:

❖ Reduction of November and December 2020 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.

❖ Reduction of January - July 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 introduced while the implementation details are provided through a recent Ministerial Decision. By virtue of subsequent Ministerial Decisions, the above measure has also been extended to June and July 2021 rents for specific types of businesses. The specific measure is currently being revisited by the authorities for August rents but still no official guidelines exist in this respect.

❖ Extension of VAT liabilities due in November - December 2020 as well as January - May 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 gradually extended to cover VAT liabilities due within January - April and, very recently May; per the latest Ministerial Decision, payment deadline of VAT amounts due in May expires by 30.08.2021.



GREECE

OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ 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:

❖ 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 – 31.07.2021	N/A	Until the end of the settlement scheme for tax instalments and by one month for social security instalments
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 01.05.2021 – 31.05.2021	N/A	30.04.2021 31.05.2021 30.06.2021 30.09.2021 30.08.2021



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

The extraordinary legal order due to COVID-19 is still valid in Hungary; however, it is important to highlight from a practical perspective in terms of doing business and the impact on economic activity, that majority of the restrictive measures were already relieved. In addition to tax announcements mask wearing has been significantly comforted (e.g. optional in public areas); lockdown has been ceased; shop's opening hours are not regulated; it is allowed to organise events with some limitations.

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; nevertheless, many of them are available with limited time period and the measures may be extended longer only for the most affected sectors. Some incentives may be claimed retroactively. We summarise the most important measures; the list is not exhaustive.

❖ Tax benefits, credits, wage subsidies

Tax credits with a time limit: 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 ("KVA") 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 as restaurants, or companies with leisure, sport, art activities, with further conditions and extended possibilities in terms of time limit.

❖ 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) to boost spending in tourism, restaurants and recreations. No social tax and voluntary training contribution are payable in 2021.

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.

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FUTURE TAX MEASURES

❖ 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.

❖ Tax returns and financial statement deadline

There is an exemption from legal consequences for late filing of 2020 financial statements and yearly tax returns, which may be claimed and accepted by the Hungarian Tax Authority for specific requests at least until 30th June 2021 for several type of taxes (corporate income tax, small business tax, innovation tax and income tax on energy suppliers, as well as transfer pricing documentation).

❖ Financing opportunities, state aid measures

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

Preferential loan programs: acquisition of assets, reconstruction, modernisation, venture equity financing, technology development, innovation, competitiveness 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.

Tax reliefs: postpone for 6 months or grant a 12-month instalment payment, one-time elimination of a tax payment obligation by 20%, up to HUF 5 million may be claimed.

❖ 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). Exemption will be introduced as of 1 January 2022 for venture capital fund managers and stock exchanges.



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.

Tax law changes

- ❖ Online invoice data submission: is obligatory extended to all invoices as of 1 January 2021 (including B2B and B2C invoices irrespective of the VAT content)
- ❖ VAT rate 5% (reduction from the 27% general rate) on real estate investments: expected on residential newly built houses in general and in rust belt area.
- ❖ E-commerce directive was introduced as of 1 July 2021
- ❖ VAT tax return draft to be prepared by the Hungarian tax Authority: available at first for the period July 2021
- ❖ Special tax refund procedures are introduced: to cover VAT reclaimable which has not been reimbursed or will be reimbursed for reasons not attributable to the taxpayer, in any other way
- ❖ Energy sector: institution of loss carry forward in the income tax on energy suppliers enters into force as of 10 July 2021
- ❖ „Bitcoin-tax”: income from cryptocurrencies, like capital income, is better legalized with advantageous taxation and grandfathering provisions: 15 % personal income tax only, no social contribution tax is levied; profits, losses are also recognized by law and the principle of tax equalization applies as of 1 January 2022
- ❖ Hybrid entity (Hungarian registered office in which non-Hungarian organizations are interested over 50 %, further, they are subject to a tax system that treats the hybrid entity as a corporate taxpayer): income is taxed to the extent not taxed under the legislation of Hungary or another country as of 01 January 2022
- ❖ Trusts of public interest: new scheme is introduced with advantageous taxation at the level of the trust and also at the level of contributors
- ❖ Social contribution tax that is payable over the wages by the employers: a further decline is expected (15.5 % -> 15 %) with the merging of the vocational training contribution as of 1 July 2022
- ❖ Small business tax: tax rate for small business tax (“KIVA”) reduces from 12% to 11% as of 1 January 2021
- ❖ Tax administration: increase of automatic instalment payment threshold for businesses (from HUF 1.5 million to HUF 3 million)



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

Certain non-fiscal relief COVID relief packages have been announced by various States. Various compliance relaxations have been announced under different laws. Below we set out the main measures:

Income Tax

- ❖ Income tax exemptions provided on any ex-gratia amount received by family member on death of employee during FY 2019-20 and onwards due to COVID-19 up to INR 10,00,000.
- ❖ Due date of filling of information for payments made to non-resident (Form 15CA / 15CB) extended to July 15, 2021.
- ❖ Due dates for making payment of additional amount under Direct Tax Vivad Se Vishw as Act, 2020 has been extended.
- ❖ Due date for furnishing income tax return for FY 20-21 extended to 30 September 2021, 30 November 2021 and 31 December 2021 from original due dates of 31 July 2021, 31 October 2021 and 30 November 2021 respectively.
- ❖ Due date for furnishing of Tax Audit Report for FY 20-21 extended to 31 October 2021 from original due date of 30 September 2021.
- ❖ Due date for furnishing of Transfer Pricing Report u/s 92E of the Income Tax Act for FY 20-21 extended to 30 November 2021 from original due date of 31 October 2021.
- ❖ Due date for filing of belated return and revised return for FY 19-20 extended to 31 May 2021 and FY 20-21 to 31 January 2022.
- ❖ Due dates extended for filing of various appeals/ notices and statements to be furnished under Income Tax laws.

Detailed write-ups concerning business continuity in these unprecedented times – click [here](#)

COVID for COVID, a series of 10 taxation new sletter – 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

Goods and Services Tax

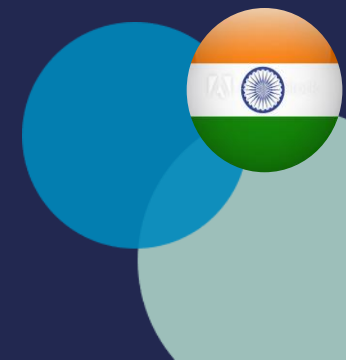
- ❖ GST rate on COVID related drugs & equipment used for treatment is reduced up to September 30, 2021.
- ❖ Penalty for non-compliance of capturing QR-Code is waived up to September 30, 2021.
- ❖ Extension in time limit for completion of specified compliances such as completion of assessment, appeal.
- ❖ Lower rate of interest for the first fifteen days of delay in payment of GST (for medium and large businesses) for the months of March to May 2021.
- ❖ Late fee waiver for delayed furnishing of GSTR-1 for the month of May 2021 & GSTR-3B for March and April 2021 up to 15 days.
- ❖ Relaxation in various compliances of GST falling during the months of April and May 2021.
- ❖ Few States have allowed reimbursement of GST paid on specified COVID supplies.

Residency rules under Income Tax code

- ❖ Circular issued by the Central Board of Direct Taxes to seek details of situations where taxpayers are facing double taxation due to forced stay in India, after taking consideration of relief provided by respective DTAA's. The Government seeks to examine possible relaxations for such scenarios if existent.

Customs & Foreign Trade Policy

- ❖ Exemption is extended to levy of IGST on import of specified Covid related drugs and equipment up to 31 October 2021
- ❖ Import of oxygen concentrators as gifts allowed till 31 August 2021. Prior to the said amendment, import as gifts, was only allowed for life saving drugs, medicines and Rakhi.
- ❖ Export of Injection Remdesivir and Remdesivir API prohibited from 11 April 2021.

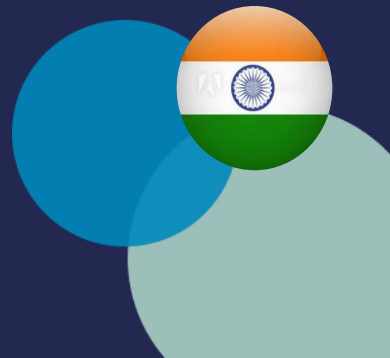


OVERVIEW OF PUBLISHED COVID-19 MEASURES

- ❖ India's Foreign Trade Policy 2015-20 has been extended till 30 September 2021.
- ❖ Export of Injection Remdesivir and Remdesivir API prohibited from 11 April 2021.
- ❖ India's Foreign Trade Policy 2015-20 has been extended till 30 September 2021.
- ❖ Only e-IEC's to be issued from 12 February 2021. Mandatory updates of IEC details by every importer/ exporter during April-June period of each year. Last date for modification for FY 21-22 extended to 31 July 2021.
- ❖ Basic Customs Duty and Health exemption on import of various Covid linked medicines and equipment including Remdesivir injection, APIs, oxygen equipment, Covid vaccine, etc. IGST exemption on said imports if for specified purposes.
- ❖ IGST rate on import of oxygen concentrators reduced to 12% from existing 18%. High Court has upheld this taxation ultra vires for personal use. However, Supreme Court has stayed the said order of High Court.
- ❖ Exemption from Custom Duty & Health Cess on import of Amphotericin-B (black fungus drugs). Export of Amphotericin-B injections from India is 'restricted'.
- ❖ Export of Remdesivir injections & Remdesivir API is restricted from India. Earlier, export was prohibited.
- ❖ Extend the validity of all AEO license expiring from during 1 April 2021 - 31 May 2021, to 30 June 2021.

Economic Relief Measures

- ❖ Extension of tenure of PLI Scheme for large scale electronics manufacturing by 1 year (till 2025-26).
- ❖ Finance Minister announces a slew of economic relief measures amounting to INR 6.28 lakh crore, which provide relief to Covid-affected sectors and public health sector.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

RBI/ Monetary Policy measures

- ❖ RBI has extended Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit up to 30 September 2021
- ❖ Announcement of Resolution Framework 2.0
- ❖ Restructuring of loans allowed for Individuals, small businesses and MSMEs having aggregate exposure of up to ₹25 crore, who have not availed restructuring under any of the earlier restructuring frameworks (including under the Resolution Framework 1.0 dated 6 August 2020), and who were classified as 'Standard' on 31 March 2021.
- ❖ For those who would have availed the facility of restructuring of loans under Resolution Framework 1.0 and resolution plan permitted moratorium of less than 2 years, modification of the said allowed through increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years. Lending institutions have been allowed to review working capital sanctioned limits also for small businesses and MSMEs restructured earlier.
- ❖ RBI's agreement to purchase government securities of ₹35,000 crore. This would increase cash in the economy.
- ❖ Special three-year long-term repo operations (SLTRO) of ₹10,000 crore at repo rate for the Small Finance Banks. Funds to be deployed for fresh lending of up to ₹10 lakh per borrower.
- ❖ Priority sector lending to individual borrowers by smaller Micro – Finance Institutions.
- ❖ Supreme Court has allowed waiver of compound interest on loan moratoriums granted last year.

Extended period of limitation

- ❖ The Supreme Court of India has restored the Order passed on 23 March 2020, directing an indefinite extension to the period of limitation under all laws (till further orders).
- ❖ Also, the period from 14 March 2021 till further orders has been directed to be excluded in computing the prescribed period(s) of limitation for instituting proceedings, outer limits (within which the court or tribunal can condone delay) and termination of proceedings under any law.



INDIA

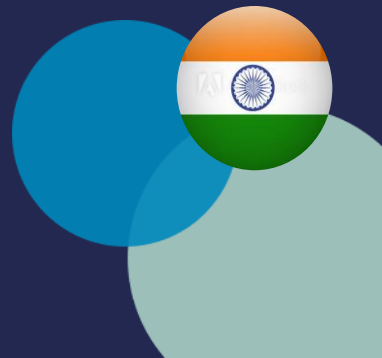
OVERVIEW OF PUBLISHED COVID-19 MEASURES

MCA measures

- ❖ Relaxations given in various secretarial compliances as well as cooling period/ limitation period for various corporate actions.

Miscellaneous

- ❖ Divergent Rulings from High Courts on coverage of COVID pandemic under 'force majeure'. Matter pending with Supreme Court.
- ❖ State Governments have extended time limit for various compliances under erstwhile VAT and Entry Tax regulations.



INDIA

FUTURE MEASURES

❖ Proposals in works

- As per media reports, another round of stimulus measures expected including direct benefit transfer, higher infrastructure spending, etc. Special focus on the rural economy (given the second wave has impacted this geographical segment considerably) and medical cost reimbursement for middle class.
- Policy level works are in progress on new measures for stressed borrowers in case the lockdowns are prolonged.
- Discussions ongoing on reduction of GST rates on some items.
- Production linked incentives announced for Advanced Chemistry Cell, components of air-conditioners and LEDs, HE solar PV modules, food processing industry in the recent weeks.
- Expected announcement of Production linked incentives for automotive and textile segment in the coming weeks.
- Expected implementation of new labour codes with unifying multiple social security laws existent currently.

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OVERVIEW OF PUBLISHED COVID-19 MEASURES

It has been over a year since 13 March 2020, from which 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

Through PMK-82 of 2021 and PMK-83 of 2021, issued on July 1, 2021, tax Incentives that were first provided upon the outbreak and spread of the COVID-19 pandemic in Indonesia in 2020 have been extended once again until December 31, 2021. In the interest of providing aid for taxpayers affected by the pandemic and to recover demand and supply, this National Economic Recovery Program will continue to implement incentives that include taxes borne by the government, exemptions, reductions, accelerations and the like. It is necessary to note the changes in the criteria of eligibility for the extended provision of facilities up until December 31, 2021, provided through the list provided in PMK-82. Companies in the Import Facilities for Export Purpose ("KITE") area as well as those in the bonded zone, are no longer eligible. The Business Filed Classifications ("KLU") list was also shortened.

The breakdown of the extended incentives are as follows:

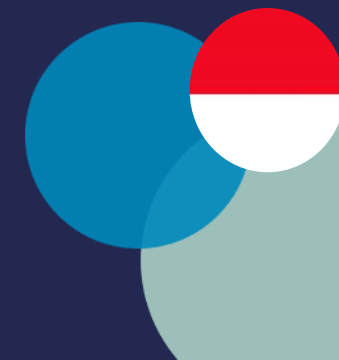
- Income Tax and Value Added Tax – extended up to December 31, 2021
 - Government-borne (DTP) Article 21 or employee Income Tax (PPh)- This tax incentive applies to employees with an income of up to IDR 16 million per month, for whom the government will bear income tax deductions.
 - Income Tax on Micro, Small and Medium Enterprises (MSMEs) will also continue to be borne by the government.
 - Article 22 Income Tax for importers will continue to be given exemption.
 - Article 25 Income Tax instalment, specifically income tax for corporations will still receive a 50% reduction.
 - Value Added Tax (VAT) restitution will receive an extension on its acceleration for certain sectors in need of support.
 - Value Added Tax (VAT) on property may also be borne by the government.
 - Additional deduction on net income for resident Taxpayers in the production of health and/or household equipment/supplies.
 - Donations that may be considered as gross income deductibles.
 - 0% and final rate imposition on Income Tax in human resources for the health sector.
 - Compensation or reimbursement that serve as 0% and final rate imposition on Income Tax in the utilization of assets.

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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:

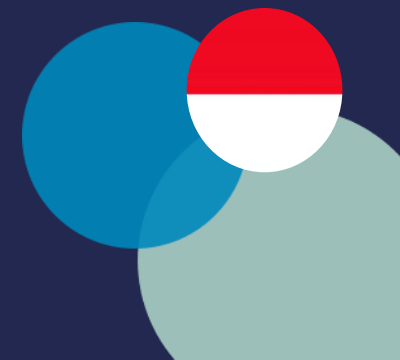
The recently issued MoF Regulation 31/PMK.010/2021 (PMK-31/2021) has been issued a second amendment through MoF Regulation No. 20/PMK.010.2021 with regards to Sales Tax on Luxury Goods on certain motor vehicle purchases; i.e. 100%, 50% or 25% Sales Tax on Luxury Goods (PPnBM) on taxes payable for certain Tax Periods for specified vehicles; in reference to the articles stipulated in MoF Regulation 31/PMK.010/2021. This is with the intent of maintaining the enthusiasm and buying power of the general public in the industry sector for luxury goods affected by the current economic effects of the spread of COVID-19.

• 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 5 billion 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 28 July 2021 there have been 11 batches VAT PMSE Collectors appointed.
- PMSE entrepreneurs who have a transaction value, with buyers in Indonesia, amounting to IDR 600 million (est. USD 42,400) annually or IDR 50 million (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 5 billion. 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 Job Creation

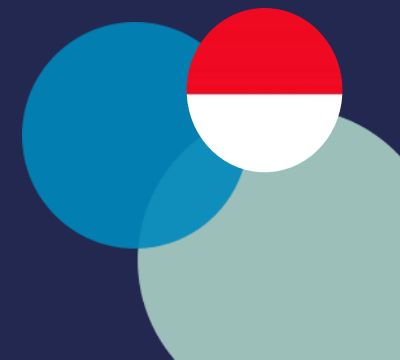
- On 20 February, 2021, the State Secretariat announced that 45 government regulations and 4 presidential decrees have been signed and approved by President Joko Widodo, which include labour issues; specifically for foreign workers, worker-employer relations, worker remuneration and unemployment funds. 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.
- Article 6 paragraph (1) of Law No. 7 of 1983 concerning Income Tax as lastly amended by Law No. 11 of 2020 regarding Job Creation (Income Tax Law), stipulates that the amount of taxable income for domestic taxpayers and permanent establishments, determined based on gross income less costs to earn, collect and maintain income, including costs directly or indirectly related to business activities. Article 21 of the Income Tax Law stipulates that the employer shall withhold tax on income in connection with work, services, or activities in any name and in any form received by a domestic individual Taxpayer. Therefore, employees are no longer subject to Income Tax Article 21 in expenses incurred in handling the COVID-19 pandemic in their personal costs that includes, e.g., COVID-19 detection tests, face masks, antiseptic hand sanitizers, disinfectants, and/or health supplements; and COVID-19 vaccinations for employees for whom funds are borne by the employer.

OTHER MEASURES

The government of the Republic of Indonesia has implemented the Emergency Enforcement of Community Activity Restriction (PPKM), which started from the island of Java and Bali on July 3, 2021. This is in light of the rapid rise of COVID-19 cases in the country, which effectively raised concerns in the current state of its residents. As such, offices of the non-essential sector have been ordered to implement 100% work-from-home policies; 50% work-from-office policies for essential sectors; reinforced health protocols for construction sites while 100% operational; adjustments of operational hours of malls, restaurants, public spaces etc. This policy has been effectively extended until August 2, 2021, after the continuous increase and fluctuations of daily COVID-19 cases in the country.



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OVERVIEW OF PUBLISHED COVID-19 MEASURES

ECONOMIC RECOVERY PLAN 2021

The Government has published the Finance (Covid-19 and Miscellaneous Provisions) Bill 2021 which includes amendments to existing supports which were announced in the Economic Recovery Plan 2021.

The Economic Recovery Plan 2021 sets out a new phase of supports for the next stage of the economic recovery after the COVID-19 pandemic. The plan aims to exceed the pre-crisis employment levels of 2.5 million people in work by 2024. It is anticipated that the initial funding of €915 million through the National Recovery and Resilience Plan, under the EU's Recovery and Resilience Facility, plus the forthcoming revised National Development Plan, will create a green and digital job revolution.

❖ 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 12 months after recommencement of trading has been introduced. During this period there will be no debt enforcement action taken by Irish Revenue. Around 92,000 business have availed of the scheme, delaying payment of €2.6 billion in tax.

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

On 1 June 2021 the Government announced that the period where tax liabilities arising can be warehoused was extended to the end 2021 for all eligible taxpayers, with an interest free period during 2022, and the inclusion of overpayments of EWSS in the scheme.

❖ 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.

[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

❖ Residence Rules - “force majeure” circumstances

Having regard to the unanticipated length of the pandemic, Revenue further considered the application of the force majeure concession. Revenue has provided a list of circumstances where an individual will be considered to have his or her departure from Ireland prevented due to COVID-19.

The maximum length of time in respect of the 2020 tax year that may be disregarded for residence purposes due to COVID-19 under ‘force majeure’ circumstances will depend on whether the individual was present in Ireland on or prior to 23 March 2020, or travelled to Ireland between 24 March and 5 May 2020. In both scenarios above, the days disregarded must be consecutive days.

Individuals must have left Ireland as soon as they reasonably could. Where a departure has not occurred on or by 1 June 2020, force majeure will not apply unless the individual contracted COVID-19. Individuals who travelled to Ireland on or after 6 May 2020 will not be regarded as having their departure from Ireland prevented due to COVID-19.

❖ 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.

❖ 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. Irish Revenue have confirmed that this concession will continue to apply for 2021.

❖ 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 1 September 2022.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Corporate Tax Loss Relief – Temporary Acceleration of Loss Relief

The July 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. 247 companies claimed this relief in respect of losses of €474m and €59.5 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 & Business Resumption Support Scheme (“BRSS”)

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.

A new additional Business Resumption Support Scheme has been introduced for businesses with reduced turnover because of public health restrictions. Businesses whose turnover is reduced by 75% in the reference period (1 September 2020 to 31 August 2021) compared with 2019 will be eligible for support. The BRSS will be administered by Revenue and will operate in a similar way to CRSS.

Claims for the BRSS are available for eligible businesses since 1 September 2021 that meet the qualifying criteria, irrespective of whether they have previously qualified for other COVID-19 related Government schemes. However, a business will not be able to make a claim under the BRSS where the business is entitled to make a claim under the CRSS. To be eligible, a business must have commenced no later than 26 August 2020. Registration for BRSS opened on 6 September 2021. So far, 633 applications for 669 trades have been received for the BRSS. To date, claims of €1.7 million have been paid under the Scheme.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

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

The PUP was introduced for those made unemployed by the pandemic. Those in receipt of the PUP are able to check the amount received and access a preliminary calculation of tax owing. Any liability can be paid online, or alternatively the recipient can have their tax credits reduced over a four-year period.

The PUP is gradually changing over a 6 month period from September 2021 until February 2022 to align it with the standard jobseeker's payments. The process of moving from the lower €203 rate of PUP to a jobseeker's payment was due to begin in early September 2021. This has now been deferred until after all sectors have started to reopen in line with the Roadmap announced on 31 August 2021 and all affected taxpayers will continue to receive their PUP payment until 26 October 2021 when the process of their transition to a jobseeker's payment will begin. Work on the transition process commenced at the end of September 2021 when Irish Revenue wrote to all affected taxpayers outlining the options available to them. Two further phases of rate changes are scheduled to take place from 16 November 2021 and 8 February 2022, respectively. As PUP recipients go on to the €203 rate in each phase, they will be transitioned to standard jobseeker's terms.

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 €4,844 million to 51,400 employers in respect of 660,400 employees. The EWSS has been extended to 31 December 2021.

The time-period for assessment has been expanded from the previous 6-month period of assessment to a full 12-month period. This change in the assessment period means that businesses can generate the equivalent of up to 70% of their 2019 turnover for the remainder of 2021 and remain eligible to claim support under the scheme.

There is a new requirement for employers to complete and submit an online monthly Eligibility Review Form (ERF) on ROS to continue to avail of the EWSS. The compliance rate for the submission of June ERFs was about 77%, with a compliance rate of circa 57% for the July forms.

❖ 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 until 31 December 2021. A further extension and enhancement of the CRSS was announced on 1 June 2021 to provide additional support to businesses upon re-opening and to give certainty to businesses still directly affected by public health restrictions. Eligible businesses resuming trading activities from 2 June 2021 can claim an enhanced restart payment to assist them with the additional costs of reopening.

There are currently 2,900 businesses with 3,300 premises registered for CRSS with Revenue. 17,200 premises have claimed “Restart Weeks” and are now trading without the support of CRSS. To date, payments claimed total €701 million.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ 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. The Department of Housing, Local Government and Heritage announced as part of the Economic Recovery Plan, an extension of the current commercial rates waiver for an additional 3 months, covering July to September 2021.

❖ Temporary Wage Subsidy Scheme (“TWSS”)

The TWSS ended on 31 August 2020 and was replaced by the EWSS (above). Revenue will facilitate employers who wish to pay the 2020 income tax and USC liabilities of their employees arising from the TWSS on a once-off basis and will not apply the usual Benefit-in-Kind rules until the end of September 2021.

❖ Small Business Assistance Scheme (“SBASC”)

The Government has extended eligibility for the SBASC to include businesses operating from non-rateable premises, like a home business. The SBASC applies to businesses where turnover had reduced by 75% or more and the business is not eligible for the CRSS or other sector specific grants. To qualify for the scheme, the business must have turnover of over €50,000.

❖ Events Sector Covid Support Scheme (“ESCSS”)

The ESCSS is a once-off scheme, with funding of €11.5m, to provide targeted support for SMEs operating in the events sector, which have been significantly negatively impacted by public health regulations. Grants will be paid to successful applicants as a contribution to their business costs.

Due to the high volume of applications anticipated, it may not be possible to allocate funding to all eligible applicants. Applications will be considered strictly by order of date and time of receipt. Should the scheme be oversubscribed, the Minister may, subject to the availability of funding, allocate additional funding to the scheme and any eligible applicants who were not funded may be offered funding without the requirement to reapply.



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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 costs 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 2021, 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 business, artisan, or professional activities, including third sector entities and recognized religious entities. The tax credit is granted (i) to enterprises and self-employed whose revenues do not exceed €15 million in the second tax period preceding the one in progress as at 26 May 2021 (ii) in relation to rent paid in 2021 in relation to the months from January to May. For entities that carry out economic activities, the tax credit is recognized if the average monthly turnover and income for the period from 1 April 2020 to 31 March 2021 are at least 30% lower than the average monthly turnover and income for the period from 1 April 2020 to 31 March 2021. The tax credit is also available in the absence of the mentioned requirements to entities who have started the activity as of 1 January 2019. 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. Optional step-up – for accounting purposes only – in 2021 financial statements in relation to the assets whose value has not been stepped-up in the 2020 financial statement.

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

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



OVERVIEW OF PUBLISHED COVID-19 MEASURES

Increase of the rate to quantify the Notional Interest Deduction (so called “ACE”) to 15% in relation to capital increases made in 2021 (up to a maximum of €5 million, regardless of the amount of equity shown on the balance sheet). Possibility to convert the deduction into a tax credit – to be offset against other taxes or transferred to third parties.

❖ 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 customs 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. The payment of IMU first instalment for 2021 is also not due by Italian VAT taxable persons who carry out a business, art or profession or produce agricultural income who (i) in 2020 suffered a reduction of the turnover of at least 30% of the 2019 turnover; (ii) in 2019 realised an income not exceeding €10 million in 2019. The exemption only applies to the properties in which the taxpayers carry out their activity.

Reduction of waste tax in favour of selected categories of taxpayers whose activity has been affected by the measures taken during the COVID-19 emergency period.

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.

In the event of non-payment of debts owed to purchasers or customers involved in insolvency proceedings, the issuance of credit note may take place as soon as the proceedings are opened (without waiting for their conclusion). The provision will be applicable to cases where the purchasers or customers are subject to insolvency proceedings after 26 May 2021.



OVERVIEW OF PUBLISHED COVID-19 MEASURES

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 31 August 2021 (previously 30 June 2021) have been suspended. The suspended payments can be made in a single instalment by 30 September 2021 (previously 31 July 2021).

Cancellation of the residual payments up to € 5.000 resulting from orders of payment related to the period 2000-2010 for individuals who realised in 2019 an income not exceeding €30,000 and persons other than individuals who realised in 2019 a taxable income not exceeding €30,000.

❖ 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 and by the law of 30 June 2021, extends, until 31 December 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.

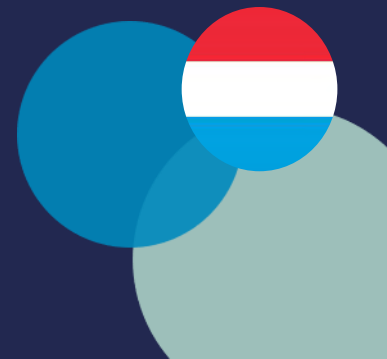
❖ Cross-border commuters working from home

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, to be increased to 34 days as from 2022, 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, France and Germany remain in force until 31 December 2021. As far as social security is concerned, Luxembourg also concluded agreements according to which, until 15 November 2021 (as far as France is concerned) and until 31 December 2021 (as far as Belgium and Germany are concerned), 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.

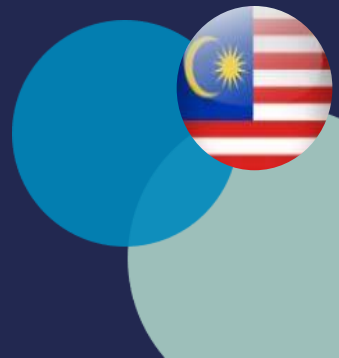
❖ Double deduction for pre-commencement expenses

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**

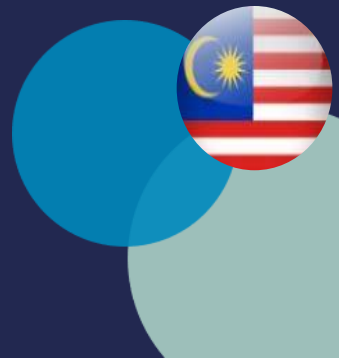
Special RA at the rate of 60% of qualifying expenditure incurred for qualifying manufacturing and agriculture projects, effective from YA 2020 to YA 2022.

❖ **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.

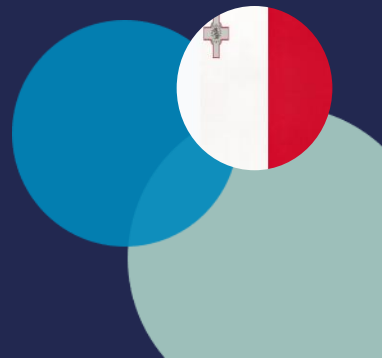
❖ Grants

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. This scheme is being extended to cover those businesses who were also ordered to close in 2021 by granting a further grant equivalent to 50% over and above the rent assistance provided for in 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. This scheme is being reissued in 2021 and will cover the months of June, July and August 2021.
- 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.
- A cash grant of €1,000 for those businesses that remained closed beyond 10 May 2021.

<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. Furthermore, the periods for the utilisation of certain tax credits issued under the Micro Invest Scheme may be extended for 3 years.
- 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.
- A Restart Incentive Scheme is being launched to support enterprises who faced serious challenges to their going concern. Enterprises will be offered the possibility to engage a professional business advisor. The scheme will finance advisory costs for up to €5,000 which could be increased to €10,000 to also support the implementation phase of the new business initiative.
- Incisive aid intensity in the form of a cash grant of up to €50,000 and additional 20% support in form of tax credits will be given to companies who opt to invest in new economic niches which are in line with the European Green Deal.



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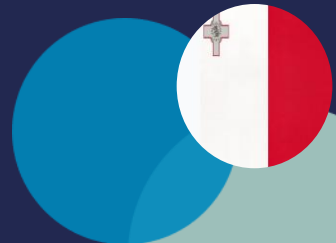
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FUTURE TAX MEASURES

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.macf.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.

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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 October 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\$ 320,000); 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\$ 2'500,000). 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.

❖ Deduction of expenses for the purchase of COVID-19 vaccines

In order to promote the acquisition of vaccines by private companies, the government has announced that they may consider the cost of such vaccines as an expense and deduct it from their income tax during the state of sanitary emergency. In addition, exemptions from all types of duties will be evaluated regarding the importation or acquisition of the vaccine against COVID-19.

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\$ 7,500).

❖ 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

The 2022-2025 Multiannual Macroeconomic Framework published this year by the Peruvian Government follows the same guidelines as the one published last year. While there is still a need 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, the Government also considers that it is necessary to implement measures that optimize the collection of mining revenues, taking into account the increase in mineral prices. In that sense, the 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 of 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.

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.

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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 SMEs, 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

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)..

❖ 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. Likely, suspension will be prolonged until end of 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.

[CRIDO | Blog](#)



OVERVIEW OF PUBLISHED COVID-19 MEASURES

❖ Release from 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: 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.



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

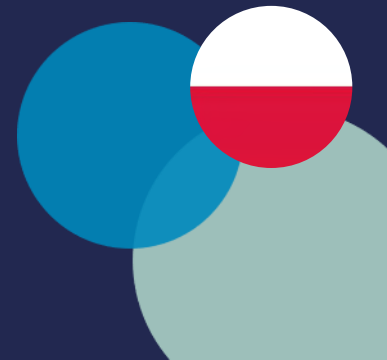
Tax will be levied on retail sales of retail companies' revenues that exceed PLN 17 million per month. Two tax rates are envisaged:

- 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: 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.



2021 TAX MEASURES

❖ 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.

❖ 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

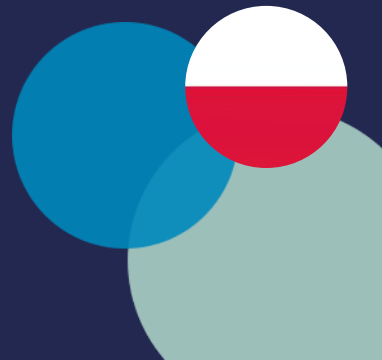
As of 1 January 2021, the tax impact of mergers and going concern acquisitions and contributions should be carefully analyzed with respect to utilization of tax losses. In many cases, both in the case of upstream or downstream merger, as well as going concern or OPE contribution and acquisition, it may 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.

❖ Transfer Pricing obligations for transactions concluded with harmful tax jurisdictions

- As of January 2021 new TP rules concerning transactions with parties registered in tax havens were introduced. New rules require additional documentation from taxpayers that conduct a transaction (directly or indirectly) that exceed relevant thresholds, with any person or entity located in a tax haven.
- There are two situations where a Polish tax payer may be obliged to prepare a TP documentation:
 - A taxpayer/non-corporate entity makes a **controlled transaction** (i.e. with a related party) **or a transaction other than a controlled transaction** (i.e. with an unrelated party) with **an entity that has its place of residence**, registered office or management in the territory or in a country applying **harmful tax competition** - then, **if the transactions are above PLN 100 k**, there is an **obligation to prepare the documentation (together with the transfer pricing analysis), submit a TP statement (confirming that TP documentation was prepared) and TPR**.
 - A taxpayer/ non-corporate entity makes a **controlled transaction** or a transaction **other than a controlled transaction**, and the **beneficial owner** has a domicile, registered office or management board in the territory or in a country applying **harmful tax competition** - then, if the transactions are **above PLN 500 k**, there is an **obligation to prepare the documentation (together with transfer pricing analysis), submit a TP statement and TPR**.
- Importantly, **it is presumed that the beneficial owner has a place of residence, registered office or management in the territory or country applying harmful tax competition**, if the other party to the transaction, in the tax year or financial year, makes a settlements with an entity having its registered office or management in the territory or country applying harmful tax competition. A taxpayer or a non-corporate entity is obliged to exercise due diligence while determining such circumstances.



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 SMEs having Polish individuals as shareholders) entered into force as of 1 January 2021.
- ❖ A law implementing an EU e-commerce Directive entered into force as of 1 July 2021.

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

- ❖ 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.



POLAND

POLISH 'NEW DEAL' - FUTURE TAX MEASURES

On 15th of May, Polish governing party presented a plan called Polish New Deal which is supposed to draw a map for a post-pandemic recovery of Poland. The plan – along with an over 90-page document – is intended to be pro social, outlining a number of reforms to provide aid to the Polish healthcare system and more support for low-income families. The programme includes certain tax measures which – if introduced – may lead to increase of costs of employment and conducting business activity in Poland, in particular work workers and self-employed.

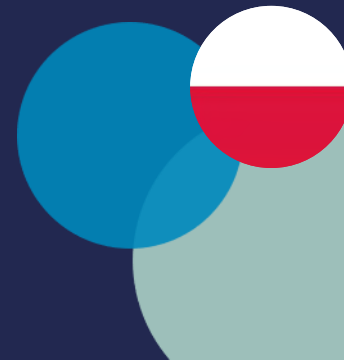
The total cost of the program is estimated at PLN 651.6bn in the years 2021-2030. The presentation of the final drafts of the law is scheduled for mid July 2021. Ministry of Finance intends that the draft legislation will be discussed in the Parliament early autumn 2021 with their introduction as of January 2022

Key changes for employees and entrepreneurs include:

1. **introducing 9% health contribution, proportional to the income, without its tax deductibility** which would result in significant tax rise, especially for entrepreneurs (now paying health insurance contributions regardless of their income being c.a 80 EUR / month). This change will also increase the employment cost, in particular for the employees earning over PLN 12 k (c.a. EUR 3 k) per month.
2. **increase of income-tax-free amount from PLN 8 k up to PLN 30k** (ca. EUR 6,6k) (likely for employees only) and the **threshold for the second 32% PIT bracket**, from PLN 85 k to PLN 120 k (ca. EUR 26,400) per year. This changes aim to mitigate the negative impact of the health contribution increase
3. new relief in personal income tax (PIT) for employees working on employment contracts with an annual income between PLN70-130k (details of the relief are not known, it is said however it will be calculated based on a special algorithm)
4. measures aimed at lowering attractiveness of use of civil contracts, in particular introducing full social security contributions for order contract

Below table presents – on a very rough numbers – rise of an employer costs under Polish New Deal

Gross/ Income	EMPLOYER'S Cost – employment			EMPLOYER'S Cost - self employment		
	Net annual	Today	PolishDeal	Net annual	Today	PolishDeal
15 000,00 zł	119 209,67 zł	213 327,31 zł	216 897,15 zł	135 459,41 zł	180 000,00 zł	200 197,53 zł
20 000,00 zł	158 278,44 zł	275 973,31 zł	287 731,61 zł	184 059,41 zł	240 000,00 zł	267 697,53 zł
35 000,00 zł	275 484,77 zł	463 767,31 zł	500 233,91 zł	329 859,41 zł	420 000,00 zł	470 197,53 zł



POLAND

POLISH 'NEW DEAL' - FUTURE TAX MEASURES

Other announced measures cover:

1. Relief package for innovative businesses including:
 - a) relief for prototypes
 - b) relief for automation and robotization of the production process
 - c) simultaneous use of R&D relief and IP BOX regime
 - d) tax advantages for employers hiring "innovative" workers
2. New instrument (so called "**590 Ruling**"), granted to so called „strategic investors" to secure tax consequences of the investment in Poland;
3. Introduction of the **tax grouping for VAT purposes**;
4. Loosening conditions for Tax Consolidation Groups for CIT purposes
5. Simplifications in the area of TP
6. CIT consolidation relief
7. VAT option for financial transactions
8. Elimination of tax barriers for VC financing
9. Broadening the scope of so called "Estonian CIT" (regime during which profits are not taxed until distributed, currently applicable only to narrow group of companies)

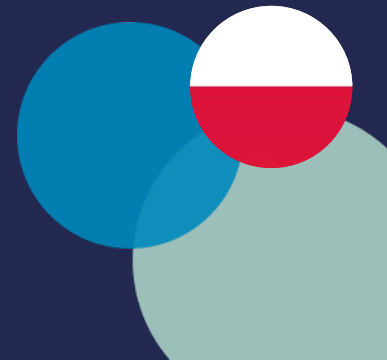
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

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 16 July 2021. In addition, the deadline to file/prepare the 2020 annual statement, the tax file and transfer price file was postponed to 22 July 2021.

❖ CIT payments on account

Taxpayers with a turnover up to EUR 50 million or cooperatives may opt for not making the 1st and 2nd CIT payment on account for the period starting on or after January 1, 2021.

In case the taxpayer verifies that the payment on account made is equal to or greater than the tax that will be due based on the taxable amount of the period, the 3rd CIT payment on account may be waived. In any case, the taxpayer may regularize the tax due until the end of the period of the 3rd CIT payment by account without being subject to any charges.

❖ 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.

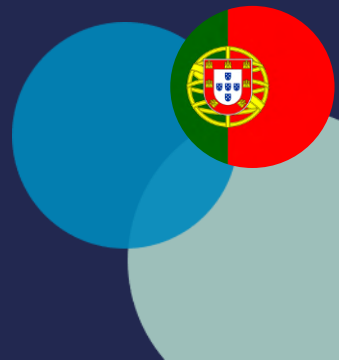
❖ Monthly Stamp Tax Return ("DMIS")

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.

[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



❖ 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 31 December 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.

❖ 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) the VAT periodic return of September, October, November and December can be submitted before the 20th day of the second month following the month during which the relevant tax period end and paid in the following 5 days; (ii) the VAT periodic quarterly return for the 3rd quarter can be submitted until 20 of November and paid until 25 November.

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

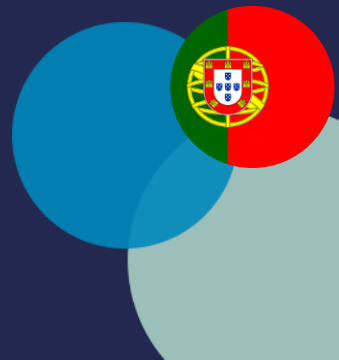
VAT taxpayers who have suffered a decrease in invoicing electronically communicated through “*e-fatura*” of at least 25% in the monthly average in the calendar year 2020 compared to the same period of the previous civil year, may deliver the VAT due in respect of the first half of 2021 in three or six 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, from 30 September to 31 December 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 installments 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.

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.

For the cases where the payment in installments was requested under Article 418 of the Law n.º 75-B/2020, of 31 December, the taxpayers may pay the second installment until 15 September 2021.

❖ 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.



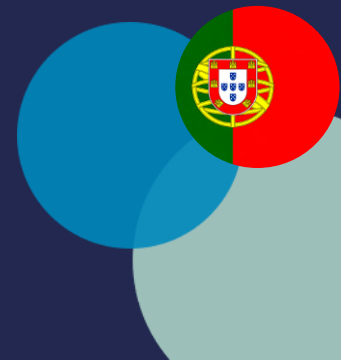
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OVERVIEW OF PUBLISHED COVID-19 MEASURES

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 9 October 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. The declaration and payment of the specific tax due for the first semester of 2021 is also postponed until 25 December 2021.

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. Starting with 1 February 2022, the VAT reimbursement with subsequent tax audits becomes permanent (some amendments to the conditions provided by the initial facility will occur).

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-19 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 resources. 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.

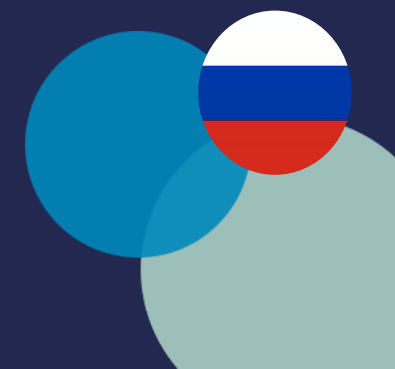
The huge volume of legal provisions introduced into the legislation from 1 January 2015 seem to have proven ineffective. Indeed, it is complex in terms of administration, since it requires serious cooperation to be maintained with the tax authorities and information to be received from abroad and then 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 (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** in 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**). Gradually, the applicability of the first aid scheme was extended until 31 December 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. For **2020 tax returns**, the standard filing/payment deadline was applicable. Taxpayers who did not have the cash flow to pay the taxes could apply for the option to pay tax in instalments. If instalments are permitted, interest is charged (the interest rate applicable was decreased from 10 % to 3 % p.a. to reflect the crisis).

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 are exempt from tax both on the side of legal entities and individuals.

Tax deductibility of COVID-19 tests used to test employees and suppliers: COVID-19 tests are treated as tax deductible expenses of businesses.

❖ Value added tax

In February 2021, the Parliament approved a **zero VAT rate on FFP 2 and FFP 3 face masks**. The zero VAT rate was applicable until 30 June 2021. Since 1 July 2021, the VAT rate of 20 % is applicable again.

❖ Act on Short-Work Measures ("Kurzarbeit")

In May 2021, the Slovak Parliament approved the new Kurzarbeit law. Its importance lies mainly in its legally claimable support, which will have to be used for the payment of wage compensation to employees in the period when the employer is not able to assign work to its employees due to external factors. The entitlement for the support will originate when the activities of the employer are limited to such extent that it is unable to assign work to at least one third of employees in the extent of at least 10 % of prescribed weekly working hours. The financial support for employers will consist of the contribution to partial refund of employee wage costs in the amount of 60 % average hourly wages of the employee. The support from the Kurzarbeit scheme will be granted by the state for a maximum of 6 months during 2 years. The government will have the option to introduce a longer period of support. The employer will have to keep the employee for whom it receives state support for at least 2 months after the lapse of the support period. During the Kurzarbeit period, the employer will be obliged to pay to the employee wage compensation of at least 80 % of his/her average earnings. The Kurzarbeit support will be exempt from taxation both for the employer and the employee. This scheme is applicable exclusively by employers and is not available to individuals – entrepreneurs.

<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 Measures to help preserve jobs (applicable both by employers and self-employed persons)

The Labour Ministry has extended the period of first aid provision to employers and self-employed persons until the end of 2021, when the permanent Kurzarbeit scheme becomes applicable. Further, the amount of the aid to be paid from the scheme will depend on the Covid Automat as specified below:

First Aid 01/07/2021 – 31/12/2021 depending on COVID Automat				
First Aid Measure	Phase 3 (III. and IV. warning level)	Phase 2 (II. and I. warning level)	Phase (II. and I. alert level)	Phase 0
	First Aid ++	First Aid +	First Aid	No aid granted
Measure 1	100 % of total labour costs, max. EUR 1,100 (or 80 % of total labour costs if state aid limit is exceeded)	80 % of total labour costs, max. EUR 1,100	80 % CCP, max. EUR 880/1,100 (collective agreement)	
Measure 2	EUR 330 – 870 depending on turnover decrease	EUR 270 – 810, depending on turnover decrease	EUR 180 – 540, depending on turnover decrease	
Measure 3A	100 % of total labour costs, max. EUR 1,100 (or 80 % of total labour costs if state aid limit is exceeded)	80 % of total labour costs, max. EUR 1,100	80 % of total labour costs, max. EUR 880	
Measure 3B	EUR 330 – 870 depending on turnover decrease	No aid granted	No aid granted	
Measure 4A/4B	EUR 360	EUR 315	EUR 210	

❖ **New aid scheme for the Tourism Industry:** Business can receive as much as EUR 1 million if their turnover decreases by at least 40 %. Until recently, the maximum possible aid amount for 1 company in the tourism industry was EUR 200 thousand.



SLOVAKIA

CURRENTLY PLANNED TAX MEASURES

- ❖ **Amendment to the Tax Code:** It is planned to reduce the fees for binding opinions. The previous "price list" ranging from 1 % to 3 % of the amount of the anticipated business case value rather discouraged taxpayers. After the approval of the amendment to the Tax Procedure Code, the fee for a binding opinion should be 1,000 EUR, for highly reliable entities only half of this amount, i.e. 500 EUR. It is also considered to extend the scope of topics to which the Tax Direction will issue binding opinions.
- ❖ Planned introduction of two-way electronic communication with tax administration: 01/01/2022
- ❖ **Act on Electronic Invoices:** Slovakia plans to introduce e-invoices from 2023. This measure is expected to ensure a significant reduction of the VAT gap as well as improved payment of income taxes.
- ❖ **Amendment to the Accounting Act:** The proposal includes the long-awaited provisions on paper and electronic form of an accounting record and stipulates acceptable ways of accounting record transformation into electronic form.
- ❖ **"BIG BANG"** Tax reform: An extensive tax reform the aim of which is to decrease the tax and social security burden on employment and to increase the taxes on property and consumption. Further details on specific measures are expected soon.

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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 December 2021, an amount equal to 70% (50% if the taxpayer's aggregate income exceeds KRW 100M) 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

For small and medium-sized companies that are (i) subject to the ban on private gatherings and business restrictions due to the COVID-19 quarantine measures and (ii) located in the "Employment Crisis Areas" or "Special Industrial Crisis Response Areas", the CIT filing and payment due date has been extended for 3 months from March 31, 2021 to June 30, 2021 (for December year-end companies). Also, for small and medium-sized companies that are (i) located in the areas subject to stronger quarantine measures and (ii) subject to the ban on private gatherings and business restrictions due to the COVID-19 quarantine measures, the interim CIT payment due date has been extended for 3 months from August 31, 2021 to November 30, 2021 (for December year-end companies).

For 2020 PIT returns and payments, individual taxpayers are still required to file their PIT returns by the original filing due date of 1 June 2021, but will have until 31 August 2021 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-new-s-view/25998/page.do>



SOUTH KOREA

OVERVIEW OF PUBLISHED COVID-19 MEASURES

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

From 2021, the threshold for application of simplified VAT taxation has been increased from KRW 48M to KRW 80M, and liability to pay VAT is exempted for simplified VAT taxable persons whose annual turnover is less than 48M.

❖ Other measures

30% of the special consumption tax is exempted for cars purchased between January and December 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 2021, the Ministry of Economy and Finance announced the proposed tax law amendments, including the following. Once passed by the National Assembly by the end of 2021, most changes will become effective from 1 January 2022.

MEASURES TO STRENGTHEN THE TAX ADMINISTRATION FOR INTERNATIONAL TRANSACTIONS

❖ **Obligation to submit data relating to the current status of liaison offices of foreign corporations**

Going forward, current status data such as the basic information about foreign corporations' liaison offices (e.g. personal information of the representative), current status of the foreign head office and other Korean branches, and information on Korean transaction parties will need to be submitted by February 10 of the following taxable year.

❖ **Expansion of the scope of foreign corporations subject to the controlled foreign corporation ("CFC") taxation regime**

Under the current law, the CFC regulations apply to foreign corporations that have an effective tax rate of 15% or less in the relevant foreign country and have a special relationship with a Korean corporation or individual (a Korean corporation or individual owns at least 50% of the voting stock in the foreign corporation). Going forward, the threshold for the effective tax rate will be increased to 70% of the maximum corporate income tax rate (25%) in Korea (i.e. effective tax rate 17.5% or less).

❖ **New standards on reduction of administrative penalties for late submission of international transaction documents**

Administrative penalties for failure to submit international transaction documents (e.g. master file, local file and country-by-country report) after the filing due date, or for submission of false international transaction documents, will be reduced by 30-90% in cases where amended international transaction documents are submitted before the penalty is imposed or where international transaction documents are submitted after the filing due date. However, this will not apply to cases where the taxpayer submits relevant documents after becoming aware in advance of the imposition of administrative penalties by the tax authorities.

❖ **Introduction of an obligation to maintain and submit transaction statements for overseas businesses supplying electronic services**

Going forward, an overseas service provider that has registered as a simplified business person in Korea will be required to maintain the details of its electronic service transactions for 5 years from filing the final tax return. The VAT law will be amended such that the Commissioner of the National Tax Service ("NTS") can request overseas service providers to submit their transaction details (e.g. type of service provided, person who received the service, transaction amount, transaction volume, time of supply of service), and the overseas service provider receiving such request must submit a transaction statement within 60 days from the date of receiving such request.

❖ **Grounds for cancellation of the simplified business registration of overseas service providers**

Currently, there are provisions on overseas service providers that are required to complete simplified business registration and the due date for registration, but there is no provision on cancellation of such registration. As a result of the proposed amendment, the Commissioner of the NTS will be able to cancel the simplified business registration of overseas service providers if they cease their business in Korea.



SOUTH KOREA

FUTURE TAX MEASURES

❖ Increased sanctions against violation of the obligation to submit customs duty data by multinational enterprises

Under the current law, an administrative penalty not exceeding KRW 100M may be imposed for non-submission or false submission of data on determination of customs duty where the purchaser is a related party. Going forward, the authorities will be able to request submission of relevant data and to request correction within 30 days after imposing an administrative penalty. If the taxpayer does not comply with such request, an additional administrative penalty of up to KRW 200M can be imposed depending on the period of delay, such that the total maximum penalty will be KRW 300M.

CHANGING THE ADMINISTRATION OR PROCEDURES OF THE INTERNATIONAL TAX REGIME

❖ Changes to the provisions on foreign tax credits/refunds for qualified investment vehicles

Going forward, the foreign tax credit/refund system for qualified investment vehicles will be abolished. Instead, when qualified investment vehicles distribute investment returns to their investors, taxes shall be withheld after deducting the foreign taxes paid. In respect of investment returns derived by corporate investors which are not subject to withholding tax, the law will be amended such that corporate investors can claim tax credits for the foreign taxes paid by qualified investment vehicles at the time of filing their corporate income tax returns.

❖ Clarification of the requirements for treating an overseas investment vehicle (“OIV”) as the beneficial owner and the relationship with tax treaties

Currently, an OIV can be treated as the beneficial owner of Korean-sourced income if it satisfies one of the following requirements: (i) the OIV is liable to tax in its country of residence and does not have a purpose to avoid personal income or corporate income tax, (ii) the OIV is recognized as the beneficial owner under the relevant tax treaty, or (iii) the OIV fails to identify its investors. Going forward, for greater consistency between the statutory requirements and tax treaty articles, requirements (i) and (ii) will be amended such that an OIV can be treated as the beneficial owner of Korean-sourced income if: (i) the OIV is a resident (an individual or corporation liable to tax) in the country of establishment in accordance with the relevant tax treaty, and satisfies the requirements for application of tax treaty benefits to the Korean-sourced income, or (ii) the OIV that does not satisfy the amended requirement (i) is recognized as the beneficial owner of Korean-sourced income under a separate provision in the relevant tax treaty and therefore tax treaty benefits are applicable to the Korean-sourced income.

❖ Supplementation to the scope of actual owner information the tax authorities can request from taxpayers

Under the current law, the tax authorities can request information relating to the actual owners (within the meaning of the Act on Reporting Specified Financial Transaction Information) from taxpayers such as corporations or other entities (e.g. associations), if those information is necessary for exchanging tax information with a country that has a tax treaty with Korea. Going forward, the scope of information that can be requested by the tax authorities will be expanded; in addition to the information that can be requested under the current regulations, in cases where the taxpayer is an entity such as an association that does not have a stock-holding or equity-holding structure, the tax authorities can request information on the representative of the relevant entity and the people who are actually involved in making decisions for the relevant entity. The proposed amendment is intended to reflect the recommendations in the “Peer Review Report on the Exchange of Information” issued by the OECD in July 2020.



SOUTH KOREA

FUTURE TAX MEASURES

❖ **Transfer pricing regime under exceptional economic circumstances such as the COVID-19 (Reflecting the OECD's "Guidance on the transfer pricing implications of the COVID-19 pandemic" (December 2020))**

- The law will be amended to additionally state that, when applying the transfer pricing method, 'loss making business can be used as comparable transactions depending on the economic circumstances such as an economic depression'.
- The law will also be amended to take into account the actual circumstances if the costs, expenses and risks are not shared in accordance with the agreement between a Korean resident and its foreign related party due to a force majeure event such as a natural disaster.

❖ **Specifying the scope of adjusted income and the order of non-deductibility for excess interest ("30% EBITDA" rule)**

Under the current law, if a Korean domestic corporation has a loan from a foreign related party, the net interest expense exceeding 30% of the adjusted income (income for the relevant fiscal year + depreciation expense + net interest expense) is treated as non-deductible. Further, if the domestic corporation pays interest on more than one loan with different interest rates, interest paid on the loan with a higher interest rate is treated as non-deductible first. According to the proposed amendment, the relevant provision will (i) include that, in cases where the adjusted income amount is negative, it shall be regarded as zero, and (ii) clarify that in case where the interest expense includes interest paid on more than one loan with the same interest rate, application shall be based on the order of borrowing date (i.e. interest paid on the loan with a more recent borrowing date is treated as non-deductible first), and for loans with the same interest rate and the same borrowing date, non-deductible interest shall be prorated based on the loan amounts.

❖ **Providing a legal basis for stopping tax audit postponement**

Under the proposed amendment, the tax authority can stop a tax audit postponement if the reason for postponement ceases to exist or there is an urgent need such as a need to secure a tax lien, but the tax authority will have an obligation to notify the taxpayer 5 days before the re-commencement of the tax audit (however, if there is an urgent need such as a need to secure a tax lien, the tax authority does not have to notify the taxpayer in advance).

IMPROVING TAXPAYER CONVENIENCE

❖ **Extension of the application period for personal income tax reduction provided to foreign engineers**

Foreign engineers (a person who provides technology services under an engineering technology license agreement, who works in a R&D facility of a foreign-invested enterprise, or who works in a research institute of a Korean domestic corporation) who started providing services for the first time on or before December 31, 2021 (December 31, 2022 if employed by a leading company specializing in materials, parts or equipment) can access a 50% personal income tax reduction for 5 years (from the date they started providing services). The proposed amendment extends the application period for this personal income tax reduction such that foreign engineers who started providing services for the first time on or before December 31, 2023 can apply the tax reduction.



FUTURE TAX MEASURES

❖ Extension of the due date for submission of foreign corporations' international transaction documents

Under the current law, if a foreign corporation's place of business (i.e. permanent establishment) in Korea has transactions with its head office or branches outside Korea, it is required to submit relevant documents such as the internal transaction details and expense allocation calculations by the corporate income tax filing due date. The proposed amendment extends the due date for submission of these documents to 'within 6 months from the last day of the month including the last day of the relevant fiscal year'.

❖ Extension of the application period for special tax concession provided to foreigners working in Korea

Under the current law, foreign employees who start to work in Korea for the first time on or before December 31, 2021 can apply a flat personal income tax rate of 19% (in which case other tax exemptions, tax deductions and tax credits are waived) for 5 years from the date they start to work in Korea. Under the proposed amendment, the application period will be extended such that foreign employees who start to work in Korea on or before December 31, 2023 can apply the special flat tax rate.

❖ Extension of the due date for submission of foreign corporations' international transaction documents

Under the current law, if a foreign corporation's place of business (i.e. permanent establishment) in Korea has transactions with its head office or branches outside Korea, it is required to submit relevant documents such as the internal transaction details and expense allocation calculations by the corporate income tax filing due date. The proposed amendment extends the due date for submission of these documents to 'within 6 months from the last day of the month including the last day of the relevant fiscal year'.

❖ Clarifying the period for filing and requesting refunds based on the arm's length price

Under the current law, where the price for a transaction between a Korean tax resident and its foreign related party is higher or lower than the arm's length price, the Korean tax resident can file an amendment of the tax base and tax amount or file a tax refund request based on the arm's length price within the relevant period. Going forward, the proposed amendment will introduce a similar "filing after the due date" system for the transfer pricing regime and improve taxpayer convenience by enabling taxpayers to file after the due date.

❖ Simplification of income reporting by the members of an entity that is not a corporation

Under the current law, members of an entity that is not a corporation are each required to file an individual income tax return to the extent (i) the entity has a fixed ratio for distributing profits among its members, or (ii) it can be confirmed that the entity actually distributes profits to its members. Under the proposed amendment, one member of such entity can file a collective income tax return on behalf of the non-resident members if (i) the relevant entity submits the tax information of the non-resident members such as the taxpayer number in the member's country of residence, and (ii) the non-resident members agree to a resident member filing a collective income tax return on behalf of the non-resident members (if only some of the non-resident members agree to such filing, a collective income tax return **can be filed just for those members**).



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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 enacted tax measures.

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 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 increases 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). The **Anti Tax Avoidance Law** to which we refer afterwards has included a limitation to the application of this suspension as per the statute of limitation period; according to which it will only affect tax periods which are statute-barred (without taking into account that suspension) before the 1st of July of 2021.

[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](#)

[Tax alert Garrigues: Antifraud Law](#)



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.

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 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 are filed on a quarterly basis.

In June 2021, the regulation governing this tax was published. This regulation establishes that taxpayers 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.

Also in June 2021, Form 490 (to be used to declare this tax) was approved. The first quarterly return should have been 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 are filed in a monthly basis.

On May 26, 2021, the regulation governing this tax was published. It was established that monthly returns corresponding to January, February, March and April 2021 would be filed together with the May 2021 return.



SPAIN

NEW 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 came into force on March 11, 2021, it applies for **periods that commenced on or after January 1, 2020 that had not ended on that date**.

DAC6

DAC6 has been implemented in Spain (the transposition law in the Common Territory was published on 30 December 2020 and the regulations were published on 7 April 2021). Additionally, the 13th of April 2021, the corresponding tax forms were approved. Information about arrangements where the first step has been implemented as from 25 June 2018 did have to be reported up to the 14th of May of this year 2021. In other Spanish territories which have their own corporate income tax legislation (the three Basque provinces and Navarra), the transposition has been made in different dates but legislation is quite similar in all territories.



SPAIN

NEW 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.

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.

ANTI TAX AVOIDANCE LAW

An **Anti Tax Avoidance Law** has been published in July 2021.

The main 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. Finally, (iv) the hardening of conditions of investments in SICAVS, which will permit applying the reduced 1% corporate income tax rate or the introduction of a 15% taxation for REITs, calculated on non-distributed benefits.



SPAIN

FUTURE TAX MEASURES

DRAFT BILL FOR ENCOURAGING THE START-UPS ECOSYSTEM

A draft bill for encouraging the start-ups ecosystem has been announced in July 2021. The objective is supporting the creation and growing of start-ups in Spain, through an attractive ecosystem which brings investments and talent into Spain and stops talent drain.

Among others, the main announced measures related to start ups are: (i) An increase of the exemption on shares remuneration plans granted to start-ups employees, accompanied by a greater flexibility on the requirements to benefit from that exemption, (ii) an increase in tax credits for investments in start ups, (iii) the reduction of corporate income tax rate in the first years (and even the non obligation to make prepayments during certain years), or (iv) the possibility to delay tax payments provided that some requirements are met.

Also, this bill proposes to improve the so called “impatriates” regime (applicable to foreign workers coming to Spain, who may be taxed as non residents during various years). Mainly, the number of years in which the non-resident taxation may be applied will be increased (from 6 to 11), the number of years in which the taxpayer should have not been a Spanish resident before arriving at Spain will be reduced (from 10 to 5) ; and the regime will be extended to taxpayer’s spouse and under 25 or disabled children.

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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](#).



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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