TAXAND

APPROVED TAX MEASURES IN RESPONSE TO COVID-19 & FUTURE DEVELOPMENTS

30 OCTOBER 2020

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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TAXAND

ARGENTINA

LAST UPDATED: 22 October 2020

PUBLISHED COVID-19 TAX MEASURES

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

The Federal Government has reduced Debits and Credits Tax on Bank Accounts rates for transactions carried out by employers of institutions and establishments related with specific activities regarding healthcare.

- **Extension of deadlines for administrative proceedings**

The Federal Government enacted a Decree that suspends the course of terms for all administrative proceedings until 25 October 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 hold abroad are extended until 6 May 2020.

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

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

- **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 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.

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

AFIP extended the deadline for filing IT tax returns and payments corresponding to tax period 2019 for corporations (with year end at December 2019) until 26 and 27 May. Exact date of deadline depends on the tax identification number of the taxpayer. Corporations are allowed to split IT payments in three instalments by making an advance payment of 25%. This regime is operative until 20 June. 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.

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ARGENTINA

PUBLISHED COVID-19 TAX MEASURES (CONT.)

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

AFIP extended the deadline for filing VAT tax returns and payments for tax period April 2020 until 20, 21 and 22 May (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. Exact date of deadline depends on the tax identification number of the taxpayer.

- **Suspension of tax claim proceedings**

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

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

AFIP has 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 (exact date depends on the Tax Identification number of the taxpayer).

FUTURE TAX MEASURES

- **New tax to big fortunes**

During the past few months, the government has been drafting a new bill to impose a one-time tax on big fortunes in Argentina. The tax rate would be between 2% and 3.5% on assets. The bill is supposed to be discussed in Congress in the near future.

- **Economic reactivation plan**

The Federal Government announced an economic reactivation plan based on seven principal points: job 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:

- Facilities in payment 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 exportations
- New credits and loans for medium and small businesses

USEFUL LINKS

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

AUSTRALIA

LAST UPDATED: 7 October 2020

GENERAL INFO

The following is an overview of tax measures announced by the Australian Federal Government and various government agencies in response to the economic impact of COVID-19. To date, the Federal Government has announced A$289 billion in economic measures, representing 14.6% of annual GDP, including the flagship JobKeeper temporary wage subsidy.

PUBLISHED COVID-19 TAX MEASURES

On 23 March 2020, the Federal Government passed the *Coronavirus Economic Response Package Omnibus Bill 2020* to give legislative effect to a A$189 billion economic support package aimed at assisting businesses and households.

- **Enhancing Instant Asset Write Offs**
  The threshold for the existing instant asset write-off was increased and access was allowed for a broader range of businesses. Eligible entities can now apply the instant write-off provisions for assets valued at less than A$150,000 which were acquired between 12 March 2020 and 31 December 2020.

- **Accelerated Asset Depreciation**
  Accelerated asset depreciation deductions were introduced so businesses with an annual turnover of less than A$500 million which acquire an asset between 12 March 2020 and 30 June 2021 can depreciate an asset acquired during the relevant period by 50% of its cost. Where the business starts to hold the asset ready for use in an earlier year, the asset can be depreciated by 50% of its opening adjusted value for the current year. Some assets are excluded from this measure.

- **Australian Taxation Office (ATO) administrative concessions**
  The ATO has announced a range of administrative concessions to assist businesses impacted by COVID-19. These relief measures will not be automatically applied and businesses must contact the ATO to discuss the specific options available to them. The concessions included:
  - deferring by up to six months the payment of liabilities due through business activity statements (including PAYG instalments), income tax assessments, fringe benefit tax assessments and excise duties where an insolvency event is imminent, the taxpayer cannot access other sources of funding and the deferral would enable the taxpayer to remain a going concern;
  - allowing businesses on a quarterly Goods and Services Tax (**GST**) reporting cycle to opt into monthly reporting to expedite access to GST refunds;
  - allowing businesses to vary PAYG instalment amounts and claim a credit for any instalments during the current financial year;
  - remitting any interest and penalties incurred after 23 January 2020, which have been applied to tax liabilities;
  - allowing businesses to enter into low interest payment plans to assist with existing and ongoing tax liabilities; and
  - relief for foreign countries impacted by travel restrictions relating to COVID-19.

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

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AUSTRALIA

RECENTLY-ANNOUNCED TAX MEASURES

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

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

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

- **Temporary full expensing of capital assets for most businesses**
  - From 6 October 2020 until 30 June 2022, businesses with turnover up to A$5 billion will be able to deduct the full cost of eligible depreciable assets of any value in the year in which they are first used or installed ready for use.
    - ✓ The cost of improvements to existing eligible depreciable assets during this period are also immediately deductible.
    - ✓ This measure effectively supersedes the existing instant asset write-off measures (discussed above), but those measures will have residual application in certain situations.

- **Research & development (R&D) tax incentive changes**
  - The R&D tax offset measures in an existing Bill will be deferred to income years starting on or after 1 July 2021 and will be subject to a number of changes including the following changes to the refundable tax offset:
    - ✓ For smaller claimants (aggregated annual turnover less than A$20 million), the refundable tax offset will be 18.5% above the company tax rate (increased from 13.5% in the Bill), with no cap on cash refunds (as originally proposed in the Bill).
    - ✓ The larger claimants (aggregated annual turnover A$20 million or more), the offset will be tied to the company's incremental R&D intensity (notional deductions/total expenses), under a streamlined two-tiered intensity test.

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

- **Personal taxation**
  - Personal income tax cuts that were previously legislated to commence from 1 July 2022 have been brought forward to 1 July 2020.

USEFUL LINKS

- https://treasury.gov.au/coronavirus/businesses
- https://www.ato.gov.au/General/COVID-19/Support-for-businesses-and-employers/
- https://budget.gov.au/index.htm

BRAZIL

LAST UPDATED: 9 October 2020

GENERAL INFO

The Federal ministries of Health and Economy have quickly established a series of measures to cope with the COVID-19 crisis. The most important measures were established by Provisional Measures proposed by the Federal Government which gave legal basis to normatives provided by other organs to deal with the economic and social crisis. Among others, we can mention the main following measures.

PUBLISHED COVID-19 TAX MEASURES

- **Interruption of collection acts and facilitation on the renegotiation of debt contracted with public entities**
  Authorises the suspension, for up to 90 days, of processes related to recovery of debts owed to public entities, including the establishment of new collection procedures and the termination, by public entities, of debt installments that have been negotiated with taxpayers. This measure has been extended until September 30, 2020.

- **Suspension of deadlines in judicial and administrative procedures as well as of the statute of limitations of rights involved in such procedures.**
  The deadlines of judicial and administrative procedures within the Federal Revenue Service (Receita Federal do Brasil) have been suspended until 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 payed in March, April and May) was postponed. The amount of payment being postponed must be collected in six installments.

- **Postponement of payment of federal taxes due by small companies under the "Simples Nacional" programme**
  The payment of Federal taxes due in March, April and May by small and medium sized companies was postponed for a six months period. The payment of taxes due at State and Municipal levels (ICMS and ISS, respectively), due in April, May and June, has also been postponed for three months. 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 has also been postponed.

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

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BRAZIL

PUBLISHED COVID-19 TAX MEASURES (CONT.)

- **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.

- **0% rate for medical and hospital products**
  0% rate, valid until 30 October 2020 of 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 exempted products has been broadened and updated overtime. In addition, a Normative Instruction issued by the Brazilian Revenue Service updated the customs clearance procedures for importation of inputs to combat the COVID-19.

- **IOF exemption on credit operations**
  Credit operations (loans, acquisition of foreign currency or insurance contracts) had their IOF (tax on financial transactions) rate reduced to zero for a period of 90 days (from April to July 2020). This measure has been extended until 2 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 has postponed the payment of the PIS (employees' profit participation programme), of the COFINS (contribution for social security financing), and of the employers' INSS (social security contribution) for two months. Accordingly, the PIS, COFINS and INSS due on the months of April and May must be paid in the months of August and October 2020. These contributions are levied on payroll, on import transactions and on gross revenues, being applied at different rates. More recently, the deadline in June 2020, for payment of the PIS/COFINS and INSS, has been extended to November 2020.

- **Postponement of the filing of the income tax return**
  The Brazilian Revenue Service has postponed the deadline for the filing of the income tax return. For individuals, the deadline was moved from 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, has exceptionally been extended to 30 September 2020.

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

USEFUL LINKS

- **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**

CANADA

LAST UPDATED: 21 October 2020

GENERAL INFO

While the Government of Canada has been focusing on containing the spread of COVID-19, it has also been undertaking coordinated planning to prepare for possible broader transmission of the virus, and to mitigate the impacts of a potential pandemic. Many measures have been implemented, but only the key measures are summarised here. In addition, some measures have expired, and others have replaced previous measures. Below is a summary of the tax measures currently in effect in Canada.

PUBLISHED COVID-19 TAX MEASURES

- 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.
  - **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.
  - **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.

- 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. CEWS was extended to June 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.
  - **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 Commercial Rent Assistance (CECRA)**: Property owners will reduce rent by at least 75% for April to September for small business tenants. Half of the rent will be covered by the programme, the tenant pays up to 25% and the remaining 25% is forgiven.

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CANADA

PUBLISHED COVID-19 TAX MEASURES (CONTINUED)

- Support for Businesses (continued)
  - **Canada Emergency Rent Subsidy (CERS)**: On 9 October, a new rent subsidy programme was introduced 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 until 19 December 2020 with a top-up of 25% for organisations temporarily shut down by government mandates.
  - **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.

USEFUL LINKS

- **https://www.canada.ca/en/department-finance/economic-response-plan.html**
- **https://www.blg.com/en/insights/covid-19**

CZECH REPUBLIC

LAST UPDATED: 28 October 2020

PUBLISHED COVID-19 TAX MEASURES

- **Tax loss carryback**
  Losses of 2020 and onward up to CZK 30 million (approx. EUR 1,1 million) may be claimed in 2 preceding taxable periods. Up to now, the tax losses can be only claimed in 5 subsequent taxable periods.

- **Government support for employers – Antivirus program**
  Contributions to the companies to reimburse wage compensation paid to employees because of an obstacle, depending on the type of the restriction of business. Currently, there are the following types of wage compensations plans:
  - **Plan Plus - Forced limitation of business operation and quarantine** – applicable from October to December 2020; reimbursement of 100% of wage compensation including social and health contributions up to CZK 50,000 (approx. EUR 1,900) / month / employee. In case of a quarantine the reimbursement is 80% of wage compensation including social and health contributions.
  - **Plan B - Related economic difficulties** (absence of significant number of employees, limitation of inputs, limitation of demand for the products) **-** compensation of 60% of salary costs including social and health contributions up to CZK 29,000 (approx. EUR 1,100) per month for one employee. Newly prolonged until December 2020.

- **General waiver of advance payments for road tax and CIT**
  A general waiver of all 2020 road tax advance payments and CIT advance payments due on 15 October 2020 and 15 December 2020 has been granted to the defined tax subjects (the ones whose activities were forbidden or restricted). A notice to the tax authority is required to apply the waiver.

- **Waiver of VAT late payment interest, VAT exemption of gratuitous supplies of goods**
  A general waiver of late payment interest on VAT payments due for September, October and November 2020, or for the 3rd quarter 2020, has been granted to the defined tax subjects (the ones whose activities were forbidden or restricted), if the VAT due for these periods is paid by 31 December 2020. Moreover, VAT payers are exempted from VAT payments on gratuitous supplies of specific goods connected with the coronavirus (face masks, protection material, disinfection, or goods for its production etc.) delivered from 1 October 2020 to 31 December 2020.

- **Rent support**
  Defined tax subjects (the ones whose business activities were closed or restricted) can apply for financial support in the form of a reimbursement of a 50% of rental costs for the period from July to September 2020. Applications for grants may be submitted from 21 October 2020 until 21 January 2021.

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CZECH REPUBLIC

FUTURE TAX MEASURES

- **DAC6** has been as of 29 August 2020 implemented in the Czech Republic. The Czech Republic has adopted the full scope of DAC 6 as defined by the EU Directive and has not introduced any additional reporting obligation beyond DAC 6. The Czech Republic has opted for a delay granted by the EU Directive 2020/876 and postponed the time limits for filing and exchange of information as follows:
  - Reportable cross-border arrangements whose first steps were taken between 25 June 2018 and 30 June 2020 must be reported by 28 February 2021.
  - Reportable cross-border arrangements made available, ready for implementation or whose first steps were taken between 1 July 2020 and 31 December 2020 must be reported by 30 January 2021.
  - Reportable cross-border arrangements made available, ready for implementation or whose first steps were taken after 1 January 2021 must be reported within 30 days of the relevant event.

- **Government support for employers – Kurzarbeit scheme**
  Kurzarbeit scheme reducing working hours in the event of a limitation in working time ranging from 20-80% of working hours has been proposed by the government. According to the scheme, there will be a state contribution of 70% of the original net wages (maximum at the level of the average wages in the Czech Republic) for the time during which no work is performed. The kurzarbeit scheme should replace the above Antivirus program. The proposal has yet to go through the legislative process.

- **New taxes** may be also approved in the following months:
  Czech government is proposing a new digital tax to be implemented in the Czech Republic. The proposed digital tax will apply on large companies with a global turnover exceeding EUR 750 million. The proposed tax rate amounts to 7 %. It is expected that the digital tax will become effective as of 1 January 2021 at the earliest and it should be an interim measure until 2024. The proposal has yet to go through the legislative process.

USEFUL LINKS

- **https://www.financnisprava.cz/en/**

FINLAND

LAST UPDATED: 28 October 2020

GENERAL INFO

The Finnish Government, in cooperation with the President of the Republic, declared state of emergency in Finland over the COVID-19 outbreak on 18 March 2020 and decided on additional measures to address the COVID-19 outbreak. The Government and the competent authorities have been and will implement the decisions and recommendations in accordance with the Emergency Powers Act, the Communicable Diseases Act and other legislation. The state of emergency was declared to end on 16 June 2020. However, certain measures are still valid despite the end of state of emergency. This presentation summarises tax measures for companies and other businesses.

PUBLISHED COVID-19 TAX MEASURES

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

- **Temporary exemption of import duties and VAT on imports outside of the EU**
  - Particular medical devises are admitted free of import duties and exempted of VAT on the imports if the devises are imported by State, State institution or other institution under public law, or by or for an institution confirmed by an authorised authority.
    - ✓ The exemption is valid 30 January 2020 – 31 October 2020.

- **Temporary exemption of VAT on particular sales and acquisitions inside of Finland and EU**
  - The tax exemption regards sales of particular medical devises to public health care providers, public social welfare providers, and the organisations approved by Customs administration.
  - The exemption is valid 30 January 2020 – 31 October 2020. However, the Finnish Government is drafting a proposal which would extend the validity of the exemption until 30 April 2021.

- **Payment arrangement with eased terms and removal of late-payment interest**
  - The companies having financial difficulties could request for a payment arrangement with eased terms from 25 March to 31 August 2020.
  - Also as part of their payment arrangement, the companies could request for the VAT they had paid at the beginning of 2020 to be returned to the companies and treated as a loan.
  - Further, until the end of 2020 tax refunds will not be automatically utilised against the taxes in the payment arrangement with eased terms.

- **Possibility to make amendments to the tax prepayment amounts**

- **Temporary amendment to the Finnish Act on Tax on Lottery Prizes**
  - The Finnish Government has passed a bill according to which the lottery tax rate would be lowered from 12 % to 5.5 % in order to secure the level of funding of the beneficiaries of gambling activities.
    - ✓ The amendment would be temporary and applicable between 1 January 2021 and 31 December 2021.

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FINLAND

FUTURE TAX MEASURES

- **Proposed amendments to the legislation concerning the tax residence of corporations**
  - If adopted:
    - ✓ A foreign corporation will be considered as tax resident in Finland if its place of effective management is located in Finland.
- **Proposed amendment to the Act on Value Added Tax**
  - The VAT registration threshold based on annual turnover would be increased from EUR 10,000 to EUR 15,000.
    - ✓ A seller would not be considered to be a person liable to tax if his turnover during a calendar year does not amount to more than EUR 15,000.
- **Proposed new legislation concerning the group tax deduction in relation to cross-border tax losses**
  - If adopted:
    - ✓ The final losses of a subsidiary located in the EU/EEA member states are allowed to be deducted by a Finnish parent company.
- **Legislative change regarding the taxation of Finnish-sourced dividend paid for nominee-registered securities will enter into force**
  - As of 1 January 2021 the treaty-based WHT rate will not apply if detailed information on the dividend recipient is not submitted to the Finnish Tax Administration.
    - ✓ If the information concerning the final recipient is not provided, Finnish-source dividend payments for nominee-registered shares will become a subject to a WHT rate of 35% at source.
- **Planned energy taxation reform by the Finnish Government**
  - Tax changes would support sustainable growth:
    - ✓ The industrial electricity tax would be lowered.
    - ✓ The taxation on heating fuels would be increased.
    - ✓ Employment-related transport benefits would be extended.
    - ✓ The taxation on alcohol and tobacco products would be increased.

USEFUL LINKS

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

FRANCE

LAST UPDATED: 28 October 2020

GENERAL INFO

The following is an overview of the main tax measures published in France in response to the economic impact of COVID-19 and also of general tax measures announced which may be enacted in the following months.

PUBLISHED COVID-19 TAX MEASURES

- In his speeches of 12 March 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 are summarized below:

- **Easing of the adjustment of CIT instalment #4**
  - The 4th CIT instalment may be adjusted so that the sum of all instalments corresponds to at least the expected amount of CIT for the current financial year, with a 10% margin of error.
  - In case of under-adjustment, the 5% surcharge and interest for late payment may apply, at the time of the balance, on the difference between the expected amount (less the margin of error) and the effectively paid amount.
  - These flexibility options are subject, for large companies (companies or groups with at least 5,000 employees or a turnover of more than € 1.5 billion), to compliance with commitment of responsibility (non-payment of dividends, etc.) concerning support measures.

- **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%:
  - Masks and protecting clothing suitable for the fight against the spread of Covid-19 for the period from 24 March 2020 to 31 December 2021.
  - 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.
  - Safety glasses and protective visors suitable for the fight against the spread of the Covid-19 as well as the interchangeable components of these products for the period from 24 March 2020 to 31 December 2021.
  - 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.

- **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 31 December 2020.
  - The element waived remains subject to taxation for beneficiary taxpayers subject to CIT. The beneficiary company may increase the limit of € 1m provided for the use of tax losses up to the amount of debt waived.

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FRANCE

- **Additional measures** were published within the context of the 3rd Amending Finance law, dated 30 July 2020.

- **Reporting of cross-border arrangements (DAC 6)**
  - **The effective application is deferred to**
    - ✓ 28 February 2021 for arrangements entered into between 25 June 2018 and 30 June 2020
    - ✓ and to 1 January 2021 for arrangements entered into since 1 July 2020.

- **Exceptional diminution of Economic Territorial Contribution (ETC) by reduction of ELC for 2020**
  - Municipalities and intermunicipal associations are allowed to grant a reduction of 2/3 of the amount of the ELC (tax assessed on the rental value) of companies in the sectors of activity particularly affected by the crisis and performing less than € 150 million in turnover.
  - The proposed measure only applies to contributions due for 2020 and does not concern additional taxes or annexes to the ELC.

- **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 for losses carried back as well as receivables which would be noticed in 2020 due to losses linked to the health crisis.

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

FUTURE TAX MEASURES

- **Tax reform:** The Government is working on the approval of 2021 Finance Law which would include the following tax measures:

  - Diminution of the ETC by reduction of EAVC (tax assesed on the added-value created by companies) by half and adjustment of the ceiling rate of ETC (the ETC has two components, the EAVC and the ELC) according to the value added (from 3 to 2%).

  - Extension of the ELC exemption within three years from the creation extension of an establishment.

  - Adjustment of the accounting valuation method for the needs of property tax and ELC.

  - Tax neutralization of the free reassessment of assets.

  - Spreading of the capital gain realized during a sale-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.

USEFUL LINKS:

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.economie.gouv.fr/projet-loi-de-finances-2021

GERMANY

LAST UPDATED: 7 October 2020

GENERAL INFO

The following is an overview of the main tax measures published in Germany in response to the economic impact of COVID-19.

PUBLISHED COVID-19 TAX MEASURES

- With decree dated 19 March 2020 the Federal Ministry of Finance has instructed the local tax authorities to apply the following tax measures:
  - **Simplification of tax deferrals** if their collection would lead to significant hardship: The German revenue authorities will be instructed to not impose strict conditions in this respect for taxes due until 31 December 2020. The tax authorities will be instructed, generally, to waive interest for delayed payments in this respect.
  - **Simplification of adaptation of tax prepayments**: As soon it becomes clear that a taxpayer's income in the current year is expected to be lower than in the previous year, tax prepayments will be reduced in a swift and straightforward manner.
  - **Enforcement measures** (e.g. attachment of bank accounts) and **late-payment penalties** will be waived until 31 December 2020 if the debtor of a pending tax payment is directly affected by COVID-19.

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

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

- **Corona Tax Assistance Act (Corona-Steuerhilfegesetz)**
  On 6 May 2020, the Federal Government adopted the Corona Tax Assistance Act. Among other things, the new law provides for the following:
  - **Reduced VAT rate for restaurant services**
    - ✓ VAT on food (but not beverages) served in restaurants, cafés or bars is reduced from the general rate of 19% to the reduced rate of 7% from 1 July 2020 until 30 June 2021 *(note: further reduction of VAT, see next page).*
  - **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.

KEY CONTACTS

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GERMANY

- **Corona Tax Assistance Act (Corona-Steuerhilfegesetz)** ***[continued]***
  - **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 twelve months if the application for registration or the conclusion of the contribution agreement is made in 2020. This allows a (tax-neutral) contribution or restructuring with retroactive tax effect of up to 12 (instead of 8) months.
  - **Extended deadline for the notification obligations for cross-border tax arrangements (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**.
  - **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.

- **Second Corona Tax Assistance Act (Zweites Corona-Steuerhilfegesetz)**
  A further tax assistance act was enacted on 29 June 2020. Among other things, the law provides for the following changes:
  - **Reduced VAT Rate**
    - ✓ VAT rates shall be reduced temporarily for services rendered or goods delivered from the time period 1 July to 31 December 2020. During this period, the general tax rate is decreased from 19% to 16% and the reduced VAT rate from 7% is decreased to 5%.
  - **Extended tax loss carryback**
    - ✓ The maximum amount of the tax loss carryback for the years 2020 and 2021 is increased to EUR 5 million (usually EUR 1 million) and, in case of joint assessment, to EUR 10 million (usually EUR 2 million). As a general rule, losses can only be offset against profits from the previous year.
  - **Loss carryback from expected losses 2020**
    - ✓ Taxpayers can apply for a lump-sum loss carryback of expected losses for the year 2020. The taxpayer must be directly and not inconsiderably negatively affected by Corona crisis. As a rule, it can be assumed that the taxpayer is affected by Corona crisis if the tax prepayments for 2020 have been reduced to EUR 0 and the taxpayer assures that he expects a loss for the year 2020. The lump-sum loss carryback amounts to 30% of the income for 2019. A higher loss can be carried back if such loss can be demonstrated on the basis of detailed documentation (e.g. business analyses). The new maximum loss carryback amount of EUR 5 million or, in the case of a joint assessment, EUR 10 million apply. Tax prepayments for 2019 are to be recalculated which should generally lead to a refund. The benefit for taxpayers of such a procedure is that losses can normally only be carried back when losses for 2020 are assessed, i.e. typically in late 2021 or early 2022. The lump-sum loss carry-back leads to an earlier recognition of expected losses.
  - **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.

USEFUL LINKS

- **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**

INDIA

LAST UPDATED: 4 OCTOBER 2020

GENERAL INFO

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

PUBLISHED COVID-19 TAX MEASURES

- **Statutory Due Dates & Liquidity Measures**

  - *Income Tax*
    - ✓ The due dates for various compliances such as tax payments, filing of returns (that of income for FY20 and other quarterly return & statements, etc) as well as statutory timelines for notices and assessment have been suitably extended up to 30 November 2020. The deferral, for payments, is coupled with NIL/ lower interest rates and waiver of penalties. The due date for filing of annual accounts by corporates also suitably extended
    - ✓ Due date for investments, for tax deduction for FY20, extended up to 30 June 2020
    - ✓ Reduction in TDS/ TCS rates by 25% in case of non-salaried resident payments with immediate effect through FY 21
    - ✓ Payment to be made for availing amnesty scheme extended up to 31 December 2020

  - *Goods and Services Tax*
    - ✓ The due dates for various compliances such as tax payments, filing of returns etc, have been extended. The staggered plan for filing returns & payment of taxes extends up to September 2020. The deferral is coupled with waiver of/ lower interest rates.
    - ✓ Extension of limitation period for actions such as issuance of notice, filing of appeal/ applications/ references, furnishing of returns/ statements/ information/ declarations under various tax laws
    - ✓ GST e-invoicing deferred to 1 October 2020 and QR Code on B2B invoice to 1 December 2020

- **Deferral of Implementation of Certain Measures**
  - GAAR and GST reporting under the Income Tax Audit Form has been deferred by a year
  - Safe Harbour Rules notified for assessment year 2020-21, previous rates to continue to apply
  - Mandatory e-payment settlement with vendors/ customers exempted for B2B businesses

- **Residency rules under Income Tax code**
  - Clarified that in order to avoid genuine hardship in cases where an individual's prolonged stay in India (owing to Covid-19) would not affect the determination of residency status for financial year 2019-20. Following scenarios are covered for this purpose:
    - ✓ For individuals unable to leave India, generally, period of stay between 22 - 31 March 2020 would not be considered

KEY CONTACTS

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INDIA

- **Refunds**
  - Policy move for expedited sanction of all refund claims

- **Customs & Foreign Trade Policy**
  - E-delivery of gate passes & final bill of entry to importers or custom brokers to further reduce human interface
  - Foreign Trade Policy 2015-20 up to 31 March 2021
  - Period to claim incentives, exemptions, benefits, & fulfil obligations etc over the intervening period of February to July 2020 has been extended by 3-12 months
  - Grant an extension of six months, as a one-time relief in all SCOMET export authorisations involving technology transfer expiring by 30 September 2020
  - The timelines for filing of a petition/application for initiation of a sunset review of anti-dumping duties from present 270 days revised to 180 or 120 days. Decision

- **Miscellaneous**
  - Faceless assessments & appeals implemented
  - Taxpayers charter introduce with an intent to cut down on difficulties faced in assessments for honest taxpayers

FUTURE TAX MEASURES

- **Proposal in works**
  - Addressing minimum alternate (income) tax issues for FY20/ FY21
  - Policy level works regarding customs duty measures for importation of goods, in progress, to safeguard domestic industry in these difficult economic times, expect
    - ✓ Safeguard measures such increased tariff, anti-dumping duties, etc
    - ✓ Enhanced Coverage of mandatory quality standards

- **Clarifications on enhanced coverage under Equalisation Levy**
  - While the scope of EL has recently been expanded to e-commerce transactions, clarification to weed out absurdities arising from same can be expected soon

USEFUL LINKS

- **Detailed write-ups concerning business continuity in these unpredecented times - click here**

- **COVID for COVID, a series of 10 taxation newsletter – click here**

- **Webinar on tax risks & opportunities in the pandemic times – click here**

- **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**

INDONESIA

LAST UPDATED: 28 OCTOBER 2020

GENERAL INFO

Starting from 13 March 2020, the Indonesian government began its regulatory measures in curbing the economic effects of the Coronavirus Disease-2019. Regulatory measures cover amendments to taxation settlement and filing deadlines, reliefs and incentives, as well as the appointment of the implementing authorities and industries. Other regulations have also been set in order to aid several industries involved in handling the spread and effects of COVID-19. Such measures involve the following:

PUBLISHED COVID-19 TAX MEASURES

Fiscal Aid and Relief

- *Income Tax*
  - ✓ Relaxation on Article 21 Income Tax on Salary is available for TIN-holder employees earning less than IDR 200million within the tax year concerned up to December 2020 period (PMK-86/PMK.03/2020).
  - ✓ Relaxation on Article 22 Income Tax on Imports were enacted to assist in cash flow management for companies in 721 business field classifications, Import for Export taxpayers (KITE) and Import for Export SMEs (KITE-IKM) effective until December 2020.
  - ✓ The Reduction on Article 25 Income Tax by 50% was also made as an amendment to the previous 30% reduction to promote exports. By simply submitting a statement letter to the Tax Office, the approved taxpayer will be granted a reduction from the July 2020 tax period up until December 2020 (PMK-110/PMK.03/2020).
  - ✓ Domestic Individual Tax payers who receive rewards from service parties in the handling of the COVID-19 pandemic will also be exempted from Article 21 Income Tax for the April-September 2020 tax periods.
  - ✓ Based on PERPPU No. 1 of 2020, the Corporate Income Tax rate has been reduced from 25% to 22% for the 2020 & 2021 tax period and 20% from 2022 onwards. The Go Public Corporate Income Tax rate has also been reduced by 3% from 20% to 19% from 2020 and 2021, and down to 17% from 2022 onwards.
  - ✓ For listed companies, the CIT will be further reduced by 3% if 40% of the total issued and fully paid shares are owned by at least 300 parties with each owning less than 5% of the total issued and fully paid shares (PP-30 of 2020).

- *Value Added Tax*
  - ✓ VAT Refund Acceleration has been granted for low-risk taxable entrepreneurs with a specified tax overpayment. This incentive will be valid from April 2020 to December 2020.
  - ✓ Taxable Goods and Services, deemed as necessities in the handling of the ongoing COVID-19 pandemic have been given VAT incentives. VAT will not be collected for the import of such Taxable Goods and VAT will be borne by the government for the aforementioned Taxable Goods and Services.
  - ✓ VAT will not be imposed on the import of Taxable Goods by specific parties that will be used in the exercise of Taxable Services from outside the customs area within the customs area, as long as the said parties have a Certificate of Taxable Service Usage from Outside the Customs Area in the Customs Area before import.

KEY CONTACTS

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INDONESIA

- **Additional Incentives for Bonded Zone Facilities and/or Ease of Imports for Export Recipients**
  - In consideration of the possible supply deficiency Indonesia may face, additional facilities in ease of imports for export have been provided, along with customs and excise obligations. Particularly, ease of imports for export for Small and Medium Enterprises (SMEs), as well as exemption from VAT or Sales Tax on Luxury Goods withholding of goods and materials to be used for the purpose of exports and/or deliveries of SME products. Taxation on Micro, Small and Medium Enterprises (UMKM) will be removed/nullified for a period up to December 2020 in order to ensure the continuity such businesses throughout and after the current state of force majeure caused by the COVID-19 pandemic

- **Additional Income Tax Facilities in the Context of Handling Coronavirus Disease 2019**
  - Medical and healthcare equipment manufacturers will effectively be given additional 30% deductions for expenses related to COVID-19 up to 31 December 2020.

- **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. 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 today there have been 36 appointed VAT PMSE Collectors.

- **Gross Income Reduction on Certain R & D Activities in Indonesia**
  - A maximum of 300% gross income reduction covers 100% of total costs incurred in R&D activities, with an additional reduction on gross income of 200% of accumulated costs incurred within a specified period have been introduced through the 153/PMK.010/2020. The additional 200% reduction entails specific provisions that differentiate qualifications based on registration and stages of eligible recipients.

THE FUTURE

- **Omnibus Law on Job Creation**
  - On 5 October 2020, the Indonesian parliament announced that it has passed the Omnibus Law on Job Creation. The taxation stipulations of this law are expected to increase the total tax collection through increased foreign investments; improved tax compliance; assure legal certaintty for taxpayers and allow fair business measures.

USEFUL LINKS

- **Directorate General of Taxes, Republik of Indonesia: click here**
- **Ministry of Finance, Republik of Indonesia: click here**
- **PB Taxand Tax Updates: click here**
- **PB Taxand Tax Insight: click here**

IRELAND

LAST UPDATED: 27 October 2020

GENERAL INFO

What follows is a summary of the main tax measures introduced by the Irish government and tax administration (Irish Revenue) to combat the economic effects of Covid-19.

PUBLISHED COVID-19 TAX MEASURES

- **Irish Revenue Procedures:**
  - "Warehousing" of tax liabilities for a period of twelve months after recommencement of trading has been introduced. During this period there will be no debt enforcement action taken by Irish Revenue.
  - Irish Revenue has suspended tax audit and other compliance intervention activity on taxpayers' premises until further notice.
  - Irish Revenue has reiterated that taxpayers (individuals and businesses) should continue to file their tax returns even if payment of the resulting liabilities, in whole or in part, is not possible. They have also indicated that the application of the corporation tax surcharge (for late filing of corporation tax returns) for accounting periods ending June 2019 onwards (i.e. due by 23 March 2020 onwards) is suspended until further notice and there will be no restriction of reliefs (such as loss relief and group relief) due to the late filing.
  - For the Special Assignee Relief programme the 90-day employer filing obligation is extended for a further 60 days.

- **Exchange of Information:** Irish Revenue announced an extension and deferral of certain time limits for the filing, reporting and exchange of information for DAC2/CRS, FATCA and EU mandatory disclosure regime introduced by Council Directive (EU) 2018/18/822 (DAC6). DAC6 came into operation on 1 July 2020. However, the 30-day time period for the reporting of information related to new reportable cross-border arrangements will now commence on 1 January 2021.

- **Trans-Border Worker Relief:** 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.

- **PAYE Dispensation Applications:** Due to the current restrictions on travel, Irish Revenue will not "strictly" enforce the 30-day notification requirement for PAYE dispensations applicable to short term business travellers from countries with which Ireland has a double taxation treaty who are going to spend in excess of 60 work days in Ireland in a tax year.

- **Foreign Employment - Operation of PAYE**: Irish Revenue will not seek to enforce Irish payroll obligations for foreign employers in cases where an employee was working abroad for a foreign entity prior to Covid-19 but relocates temporarily to Ireland during the Covid-19 period and performs duties for the foreign employer while in Ireland.

- **PAYE Exclusion Order - Irish contract of employment:** The tax position of employees working abroad for a foreign employer under an Irish contract of employment, where a PAYE exclusion order is in place, will not be adversely impacted if the employee works for more than 30 days in Ireland due to Covid-19.

KEY CONTACTS

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IRELAND

- **Residence Rules - "force majeure" circumstances:** Whether an individual is considered tax resident in Ireland in a particular tax year depends on the number of days (or part of a day) spent in Ireland in that tax year (or preceding tax year). Irish Revenue has clarified that where a departure from Ireland is prevented due to Covid-19, Irish Revenue will consider this force majeure for the purposes of establishing an individual's tax residence position.

- **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.

JULY STIMULUS PACKAGE

- **VAT:** The standard VAT rate has been temporarily reduced from 23% to 21% from 1 September 2020 to 28 February 2021.

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

- **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.

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

- **Pandemic Unemployment Payment ("PUP") & Employment Wage Subsidy Scheme ("EWSS"):** The PUP has been introduced for those made unemployed by the COVID-19 pandemic and has been extended to 1 April 2021. The amounts payable under the PUP are set to reduce over several stages. 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.

BUDGET 2021

- **Budget 2021:** Ireland's budget was announced on 13 October. The main focus was introducing tax measures to lessen the impact of Covid-19 on individuals and businesses. It was also drafted on the assumption of a No-Deal Brexit.

- **Covid Restrictions Support Scheme (CRSS):** Included in Budget 2021 was the CRSS which is aimed at businesses who have had to reduce or cancel their operations as a result of Covid-19 restrictions. Cash payments based on the amount of turnover of the business, up to €5,000 a week, can be applied for from 13 October 2020 to 31 March 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 31 December 2021.

USEFUL LINKS

- Irish Government's Website
- Irish Revenue's Website
- Irish Department of Business, Enterprise and Innovation's Website

ISRAEL

LAST UPDATED: 7 October 2020

GENERAL INFO

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 prolonged since on several occasions) due to the spread of the Covid-19 disease and the resulting economic effects.

PUBLISHED COVID-19 TAX AND FINANCIAL MEASURES

- 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 to 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 favorable 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.

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ISRAEL

FUTURE TAX MEASURES

- Accelerated depreciation
  - The Ministry of Finance recently published a draft for public comments of accelerated depreciation regulations. If approved, the regulations would allow taxpayers operating in the fields of industry (including software development and research), agriculture, construction and hotels to claim double the regular depreciation rate with respect to equipment acquired during the period from 1 September 2020 through to 30 November 2021

- 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.

USEFUL LINKS

- **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/

ITALY

LAST UPDATED: 27 October

GENERAL INFO

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 addressed to small and medium enterprises) are summarised below:

PUBLISHED COVID-19 TAX MEASURES

- **Corporate Income Tax and tax credits**
  The following measures have been taken:
  - full deductibility for CIT and Regional Tax on Productive Activities ("IRAP") purposes of donations in cash and in kind made in 2020 to support the measures taken to face the epidemiological emergency from COVID-19;
  - conversion into a tax credit of the deferred tax assets ("DTA") relating both to tax losses not yet used at the date of the transfer and to the surplus of Allowance for Corporate Equity ("ACE") not yet deducted; the tax credit is granted to companies which transfer for consideration, by 31 December 2020, receivables, both commercial and financial, due from defaulting debtors;
  - tax credit of 60% of the monthly amount of the rent of rental of non-residential immovable properties used to carry out industrial, commercial, artisan, agricultural, tourism or professional activities. The tax credit is granted (i) to enterprises and self-employed whose revenues does not exceeding EUR 5 million in the tax period preceding the one in progress at the date of 19 May 2020; (ii) in relation to rent paid in 2020 in relation to the months of March, April, May, June;
  - 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 1 January 2020 to 31 December 2020 (or within 30 June 2021, if the purchasing order is accepted by the seller and the buyer has paid an installment of at least 20% of the whole purchasing price within 31st December 2020);
  - in case of 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 statement 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.

KEY CONTACTS

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ITALY

LAST UPDATED: 27 October

- **Indirect taxes**
  - VAT charged on purchases of qualified pharmaceutical products and foodstuffs transferred for free to support the measures taken to face COVID-19 is fully deductible.
  - The supplies of certain qualified products needed to face COVID-19 made by 31 December 2020 is VAT exempt, with the right to recover VAT. Starting from 1 January 2021, the supplies of the mentioned products is subject to the reduced 5% VAT rate.
  - The import of certain qualified products needed to face COVID-19 is exempt from VAT and custom duties.

- **Tax payments and other procedural measures**
  - The payment of real estate tax ("IMU") first instalment due in relation to certain immovable property of the touristic and cultural sector has been cancelled.
  - In case of omitted payment of 2020 CIT and IRAP advance payments resulting from the application of the so-called forecast method, interest and penalties will not be due if CIT and IRAP paid is not lower than 80% of CIT and IRAP due.
  - Except in case of urgency, the tax assessment deeds for which the statute of limitations expire between 8 March 2020 and 31 December 2020 will be notified by the Italian Tax Authorities in 2021, to the extent that they are issued in 2020.
  - 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 December 2020 (previously, 15 October 2020) have been suspended. The suspended payments can be made in a single instalment by 31 January 2021.
  - The notification of orders of payment and of other deeds of the collection agent is suspended until 31 December 2020. The deadline to notify orders of payments whose notification deadline expires in 2021 is extended of one year. As regards orders of payments whose notification deadline expires in 2020, the deadline for the notification is extended to 31 December 2022.

- **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.
  - Italy 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.

USEFUL LINKS

- **Italian Revenue Agency – COVID-19 section**
- **Italian Collection Agent – COVID-19 section**

LUXEMBOURG

LAST UPDATED: 22 October 2020

GENERAL INFO

The following is an overview of the main tax and tax-related measures which have been introduced in Luxembourg as a response to the COVID-19 crisis.

APPROVED COVID-19 TAX 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 extends, until year-end, the possibility to hold general meetings and other meetings of corporate bodies 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 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 justifying the remote work (i.e. Belgium) and it cannot be excluded that the status quo 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.

KEY CONTACTS

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LUXEMBOURG

Cross-border commuters working from home:

The protocols to the double tax treaties concluded by Luxembourg with Belgium, France and Germany provide rules allowing cross-border workers to perform their activity outside of their employment State (Luxembourg in most cases) for a maximum amount of days (19 days in Germany, 24 days in Belgium and 29 days in France) while remaining taxable in their employment State. Given that the maximum amount of days can easily be exceeded during the COVID-19 crisis due to travel restrictions and the requirement of "social distancing" resulting in many employees working from home and thus outside of Luxembourg, the Luxembourg Government concluded agreements with the 3 countries according to which the days spent outside of Luxembourg due to the current crisis would not be taken into account. These 3 agreements were initially concluded for a limited period of time and were renewed several times. As of today, the agreements with Belgium, France and Germany remain in force until 31 December 2020 and the agreement with Germany is renewed monthly automatically as from 2021. As far as social security is concerned, Luxembourg also concluded agreements according to which, until 31 December 2020, 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 referred 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 analyzing whether there is a permanent establishment, Luxembourg companies should carefully monitor the activities performed by their employees outside of their tax residence state.

- **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").

FUTURE TAX DEVELOPMENTS

- **Tax reform:** Since the 2020 Budget draft law has not yet been released, it remains to be seen whether the Luxembourg Government will introduce additional COVID-related tax measures in the future.

USEFUL LINKS

- **https://www.atoz.lu/COVID-19**
- **OECD Secretariat Analysis of Tax Treaties and the Impact of the COVID-19 Crisis**

MALTA

LAST UPDATED: 7 October 2020

GENERAL INFO

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

PUBLISHED COVID-19 TAX MEASURES

- Tax related Incentives
  - 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.
  - 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 between June 9 and March 31 of next year;
  - The Final Tax due by sellers of property under development or those contracts made after 1 June up to 31 March 2021 was reduced from 8% 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
  - A one-off lump sum grant of €350 to employers having staff on mandatory quarantine leave;
  - Grants ranging between €100 and €800 per employee on the wage cost of certain businesses;
  - A grant of up to €2,500 on the rent paid by qualifying businesses;
  - A grant of up to €1,500 covering 50% of the electrical power costs covering any period in July, August and September 2020;
  - Grant of up to €5,000 to businesses embarking on a reengineering exercise with approved companies;
  - Investment Aid to carry out investment projects to increase or initiate production of COVID-19 related products.

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MALTA

OTHER MEASURES

- A refund of 33% in port charges for those ships that bring cargo to our country in order to support the supply chains of our economy;
- A 10% refund will also be given on container discharge fees for import and export but not transhipment;
- Up to 80% refund of the costs incurred by businesses participating in international fairs which where 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;
- Possibility of converting micro-invest tax credit into a cash grant;
- A maximum support of €200,000 to enterprises in the construction industry opting to modernise their equipment;
- A funding mechanism to public, academic and private entities under R&D on COVID-19 with outcomes not only addressing innovative and/or improved approaches related to the current pandemic, but also potential future waves and other antiviral relevant research;
- The reporting deadlines and the period allowed for notification by non-disclosing intermediaries under DAC6 were deferred as a result of the COVID-19 pandemic;

USEFUL LINKS

- **https://covid19.maltaenterprise.com/**

MEXICO

LAST UPDATED: 7 OCTOBER 2020

GENERAL INFO

The following is an overview of the main tax measures published by the Mexican tax authorities in response to the COVID-19 pandemic. General tax measures announced which may be enacted in the following months are also mentioned.

COVID-19 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 "Initiative").

- It is important to mention that the modifications included in such Initiative are not final, since they will be subject to discussion, modification and approval by the Chamber of Representatives and the Senate, for its subsequent approval by the Federal Branch and its publication in the Federal Official Gazette.

- The modifications considered in the aforementioned Initiative 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 nonexistent operations, joint and several liability, the Mexican tax authorities' powers of review, fines and the transmission of tax losses.

KEY CONTACTS

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USEFUL LINKS

- **http://www.macf.com.mx/en/covid-19/**
- **http://www.macf.com.mx/**

THE NETHERLANDS

LAST UPDATED: 28 October 2020

GENERAL INFO

The following is an overview of the main tax measures published in the Netherlands in response to the economic impact of Covid-19. The next slide includes an overview of general tax measures announced that may be enacted in the following months.

PUBLISHED COVID-19 TAX 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 on 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:
    - ✓ 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 applies for a period of three months. However, extension is possible until 1 January 2021;
    - ✓ 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 (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 arrangement for postponed tax payments:
    - ✓ As of 1 January 2021, companies are obliged to pay the accrued tax debt in a maximum of 36 equal monthly installments;
    - ✓ During this period, it is not possible to offset tax refunds with tax debts.

  - Increase of the work-related cost scheme "WKR" (tax-free allowances for employees) for 2020:
    - ✓ From 1.7% to 3% in 2020 for the first €400.000 of the wage bill;
    - ✓ 1.2% on the amount exceeding this limit (no changes).

  - Other relevant tax measures:
    - ✓ Release of the so-called "g-account" (guarantee account) until 1 January 2021;
    - ✓ Postponement of payment of energy tax and surcharge for sustainable energy ("ODE") until September 2020.

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THE NETHERLANDS

PUBLISHED COVID-19 TAX MEASURES

- **Social measures**
  - Emergency measure wages 1.0 until 5 June 2020 (NOW 1.0) – adoption possible as of 7 October 2020.
  - Emergency measure wages 2.0 per 6 July 2020 until 1 October 2020 (NOW 2.0).
    - ✓ Key requirements:
      - (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 can be requested after 15 April 2021.

  - Emergency measure wages 3.0 per 1 October 2020 (NOW 3.0).
    - ✓ Key requirements:
      - 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 is open per 1 October 2020 for a duration of three months;
      - 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 (capped at €9,538 per month per employee until April 2021 and capped at € 4,845 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.

  - Additional investment allowance (deduction of wage tax) of maximum 3% for investments up to €5 million made in period 1 October 2020 – 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 specific sectors (hospitality, theater, events, sports, etc.);
  - Financial allowance for fixed expenses ("TVL") up to €50,000.

FUTURE TAX MEASURES

- **Tax measures**
  - No future tax measures have been announced at this time.

USEFUL LINKS

- **Dutch Government's website (in English)**
- **Dutch Chamber of Commerce's website (in Dutch)**
- **Taxand Netherlands' Covid-19 update (in Dutch)**

NORWAY

LAST UPDATED: 06 October 2020

GENERAL INFO

The following is an overview for the main tax measures published in Norway in response to the economic impact of COVID-19.

PUBLISHED COVID-19 TAX MEASURES

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

- **Increased rate of initial depreciation on machinery**
  - It has been introduced an initial depreciation rate of an extra 10% (up to 30%) for investments in machinery and inventory made in 2020.

- **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 leaps by the end of October 2020.

- **Reversed deficit**
  - Loss-making companies can re-allocate up to NOK 30 million of loss in 2020 against taxed surplus from 2018 and 2019 and refunding 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 investments. The changes in depreciation and uplift will come into effect for investments made in 2020 and 2021 but may also include some investments through to 2024. It has also been decided that the free-income for investments, exempt from the higher special petroleum tax basis, should be increased from 20% to 24%.

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PERU

LAST UPDATED: 07 October 2020

GENERAL INFO

The following is an overview of the main tax measures published in Peru in response to the economic impact of COVID-19 and also of general tax measures announced which may be enacted in the following months.

PUBLISHED COVID-19 TAX 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 has declared the extension of the National State of Emergency until 31 October and has established specific quarantine measures. 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.

- **New Deferral and/or Instalment Regime (DIR)**
  Outstanding tax debts of companies and individuals, as of the date in which the corresponding application is filed, may be eligible for the DIR. These debts may include, among others, (i) advanced payments on Corporate Income Tax for periods January, February and March 2020; (ii) fines; and (iii) any amounts from previous deferrals and/or installments that are pending payment. Applications to the DIR must be filed until 31 December 2020.

- **Special Regime for Value-Added Tax (VAT) Early Recovery**
  In order to encourage the acquisition of capital goods, the Peruvian Government has approved the extension of the Special Regime for VAT Early Recovery until (i) 31 December 2023, regarding taxpayers with an annual net income of up to 300 Tax Units (approximately US$ 390,900); and (ii) 31 December 2021, regarding taxpayers with an annual net income of over 300 UIT and up to 2,300 Tax Units (approximately US$ 3'000,000). This regime consists in the refund of tax credit (VAT) arising from imports and/or local acquisitions of new capital goods performed by taxpayers who carry out exports or activities linked to the production of goods and services that are levied with VAT.

- **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. Such regime provides a higher depreciation rate for buildings and constructions (i.e. 20% per year, up to its full depreciation), provided that: (i) the construction has begun on or after 1 January 2020; and (ii) by 31 December 2020, the construction is at least 80% completed. 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.

KEY CONTACTS

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PERU

FUTURE TAX MEASURES

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

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

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

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

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

- **Expansion of the Income Tax base**: A proposal for a simplified income tax regime, aimed at the formalisation of smaller businesses, will be evaluated.

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

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

USEFUL LINKS

- https://www.garrigues.com/doc/doc/Garrigues-Medidas-Tributarias-COVID-19-Internacional.pdf

POLAND

LAST UPDATED: 29 October 2020

GENERAL INFO

Government of the Republic of Poland introduced first tax measures to mitigate the impacts of the COVID-19 pandemic in March 2020. After that, the anti-COVID tax measures were introduced in the series of tax laws which were adopted until June 2020. The key measures covered deferral of certain taxes and advanced payments, deferral of certain compliance obligations, mitigation of certain administrative burden obligations. Many of those measures were effectively focused rather on SME's, and some of the measures have already expired. Beside tax measures Polish government introduced a significant subsidies and preferential financing program aimed at co-financing the employment costs or improve a cash flow (so called "Financial Shield"). Below is the summary of the most important tax measures that are currently in place

PUBLISHED COVID-19 TAX MEASURES

- **PIT Advanced Payments**
  - Postponement until 20 August 2020 PIT advances for March 2020 until 20 October 2020 PIT advances for April 2020 until 20 December 2020 – PIT advances for May 2020, due on salaries and social security payments for remitters who suffered negative economic consequences in connection with COVID-19 outbreak.
- **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 – 31 December 2020. Previously, payment of tax was only extended until 20 July 2020 for March-May payments and was conditional by i.e decrease in revenue
- **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 31 December 2020
- **Real estate tax exemptions**
  - Potential tax exemptions from the real estate tax to entrepreneurs whose financial liquidity has worsened due to COVID-19 – to be introduced by local governments
- **Release form the prolongation fee**
  - No prolongation fee (currently 4%) for applications for postponement / splitting into installments of tax payments or tax arrears or postponement / splitting into installments of liabilities resulting from social security contributions due for the period starting 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.
- **Retail sales tax: suspension to 31 December 2020**
- **DAC-6 reporting**
  - Suspension of the deadlines for domestic DAC-6 reporting running from 31 March up to 30-days after cancellation of the epidemic state
- **Reliefs on Tax Capital Groups conditions:**
  - Condition of lack of tax arears as well as to maintain 2% profitability ratio are considered fulfilled if the Tax Capital Group's condition worsened due to 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.

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POLAND

LAST UPDATED: 29 October 2020

PUBLISHED COVID-19 TAX MEASURES (CON'T)

- **TP reporting**
  - The deadline for submitting transfer pricing information (TPR-C and TPR-P forms) as well as the statement on preparation of local transfer pricing documentation for FY2019 is extended until - in general - 31 December 2020. The deadline for preparing the Master file documentation also extended by three months.
  - Extension of the deadline for submitting detailed TP from (TP-R) to 30 September 2020 as well as local and master file (till 31 December 2020)- for selected entities with so called shorten tax year
- **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 (statement of the taxpayer that the data provided in the certificate remain unchanged is required) (iii) extension of validity of certain certificates of residency

FUTURE TAX MEASURES

Polish Ministry of Finance is very active currently on proposing or announcing new tax measures. Some of them are of „incentive" nature, some however will lead to effective increase of the tax burden.

On the „incentive side" following topics are currently consulted or announced:

- **So called „Estonian tax"-** new incentive deferring CIT taxation until profits are distributed (in practice limited to Polish SME's having polish individuals as shareholders)
- **Automation / robotics relief –** possibility to preferentially deduct costs incurred for introduction of automation / robotic processes
- **Preferential regime for holding companies –** early discussions, dedicated to two-tier holding structure where holding company could benefit from CIT exemption on capital gains (but 5% tax on dividend would be introduced)
- **New CIT and VAT regime for tax capital groups (TCG) –** ease of the conditions for a capital group to be considered as Tax Capital Group and introduction of the possibility for joint VAT settlements within a Tax Capital Group
- **Mitigation of the WHT regime –** it is planned that the „pay and refund" mechanism, that is likely to be in effect as of 1 January 2021 will be limited to the intra-group payments and only to passive payments. Other measures to make the WHT regime more „soft" are also planned.

New taxes / increase of taxes that will enter into force soon or may be approved soon

- **Retail tax –** currently suspended till 31 December 2020 will affect the retail sector. New tax will amount to 0.8% of the tax base (retail sales) exceeding PLN 17 mln and 1,4% for the companies with a retail sales exceeding PLN 170 mln
- **Sugar tax –** new tax to be introduced as of 1 January 2021 imposing additional charges on sale of sweetened drinks and alcoholic beverages with a volume not exceeding 300 ml.
- **Limited partnership (*spółka komandytowa*) as a corporate income taxpayer –** it is likely that as of 1 May 2021 limited partnerships, which are currently tax transparent, will be subject to 19% CIT.
- **Changes for the real estate companies –** it is planned to impose additional obligations on the real estate companies resulting from i.e. disposal of their shares: polish real estate company will be considered in such a case a taxpayer.

Also it is likely that as of 1 January 2021 the companies with a turnover of over EUR 50m and Tax Capital Groups will be obliged to make their so called „tax strategies" public.

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PORTUGAL

LAST UPDATED: 20 October 2020

GENERAL INFO

On 19 March the state of emergency has been in force in Portugal. Since that date, Portuguese government has announced several tax to mitigate the effects of COVID-19 for Portuguese taxpayers, which have been continuously modified and/or completed. The main measures are summarized below.

PUBLISHED COVID-19 TAX MEASURES

- **Payments on account of CIT**
  Temporary and optional waiver of the payment on account of CIT applicable for cooperatives, as well as micro companies and PME

- **Special payment on account**
  Anticipated return, during 2020, of special payments on account not deducted until 2019, waiving the 90-day deadline counted as from the end of the sixth fiscal year following the one to which the deduction relates (general refund deadline in case of non-deduction of the special payment on account due to insufficient CIT to be paid). This measure is also applicable to cooperatives.

- **Refund**
  Refund within a maximum of 15 days, after the submission of the respective return by the taxpayer, when the withholding tax, the payment on account of IRS/IRC or the VAT assessed is higher than the tax final due.

- **Tax debts**
  Taxpayers (on the amount of EUR 5,000 or lower for PIT EUR 10,000 or lower for CIT) are allowed to pay tax debts in instalments, without need to make a request and provide a guarantee.

- **Exemption from VAT on intra-community supply and acquisition of goods referred in annex of the Law no. 13/2020, of 7 May**
  This applies to acquisitions made by the State, other public bodies and non-profit organizations between 30 January and 31 October 2020

- **Extension of the deadline Vat Return**
  The July VAT return can be filed up to 20 September 2020 without penalties or increases in the respective amount. The payment of VAT due can be made until 25 September 2020.

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PORTUGAL

FUTURE TAX MEASURES

- **DAC 6:** on 21 July 2020, Portugal implemented Council Directive 2018/822 on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC6) through Law no. 26/2020, and entered into force on 22 July 2020 and is effective from 1 July 2020. Nonetheless, the Portuguese Government exercised the deferral option, as many EU Member States, through the Decree-Law no. 53/2020, of 11 August.

- **Tax Reform:** the Portuguese parliament approved a supplementary 2020 budget, which amends the 2020 budget law, aiming to respond to the consequences of the COVID-19, namely:

  - Corporate income tax
    - ✓ **Tax Losses:** (i) an extended period of 12 years (instead of 5 years) for the carrying forward of tax losses for taxable years commencing in 2020 and 2021; (ii) possibility of using tax losses against 80% (instead of 70%) of taxable profits; (iii) suspension of carry-forward period (for tax losses prior to 1 January 2020) during the periods of 2020 and 2021.

    - ✓ **Special limitation for CIT payments on account for 2020:** companies may waive in 50% or totally of the 1st and 2nd CIT payment on account when reveal a decrease of, at least, 20% or 40% (or less, if more than 50% of turnover of the prior year resulted from activities in relation to the hospitality, food services or similar industry) respectively, in the monthly average invoicing communicated through the E-invoice website in the first semester of 2020 compared to the same period in 2019. Special rules are also provided for CIT payments on account for ailing companies in tax grouping (RETGS).

    - ✓ **Payment in instalments of tax and social security debts:** companies under an agreed business recovery plan or extra judicial procedure for the recovery of companies authorized to include in the said plan the tax and social security debts generated between 9 March and 30 June 2020.

  - Banking Sector
    - ✓ **Additional Solidarity Bank Levy for 2020:** credit institutions and branches in Portugal would be subject to solidarity surcharge levied on the average value of certain liabilities (with a tax rate of 0.02%) and off-balance sheet derivatives (with a tax rate of 0.00005%).

USEFUL LINKS

- Government of Portugal website
- List of legal measures In light of the COVID-19 crisis

ROMANIA

LAST UPDATED: 28 October 2020

GENERAL INFO

The following is a brief overview of the main tax and social measures published in Romania in response to the economic impact of COVID-19 and also of general tax measures announced which may be enacted in the following months.

PUBLISHED COVID-19 TAX 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 with 18 May 2020, a 30 days alert status was adopted which was further on prolonged (i.e. currently applicable until 13 November 2020, inclusively). A package of tax measures was adopted in this regard, some of the main measures being 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 obligation during the period 21 March – 25 December 2020.

- **Forced executions by garnishment** in case of budgetary receivables are suspended/ will not be started until 25 December 2020, 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 deductions**
  - Taxpayers paying the CIT / microenterprise tax due with respect to the first 3 quarters of 2020 within the standard legal deadline are entitled to tax reductions as follows:
    - ✓ 5% tax reduction for CIT payers classified as large tax payers with respect to the CIT due for Q1 2020;
    - ✓ 10% tax reduction for other categories of CIT payers and microenterprise tax payers with respect to the CIT / microenterprise tax due for Q1 2020 as well as for all categories of CIT payers and microenterprise tax payers with respect to the Q2 and Q3 2020.

- **Income obtained from leasing of immovable property** is partially non-taxable 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 activating 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 – 31 December 2020.
  - Postponement of the declaration and payment of the specific tax due for the first semester until 25 October 2020.

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ROMANIA

PUBLISHED COVID-19 TAX MEASURES

- **VAT tax measures**
  - VAT reimbursements are granted with subsequent tax audits until 25 January 2021 in certain conditions;
  - Several imports of goods are exempt of 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.

- **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 the first step of which was implemented between 1 July 2020 and 31 December 2020 will start on 1 January 2021, the latest.
  - the first periodic report for marketable arrangements will be prepared by 30 April 2021.

- **The statute of limitation period** during which the tax body is entitled to establish tax liabilities and to request the enforcement, as well as that during which the taxpayer/ payer is entitled to request the refund of tax receivables, is suspended or does not start between 16 March and 25 December 2020.

- **Cancelation of certain tax obligations and installment 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 favorable 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 such as e.g. reduced working hours partially financed by the state (*Kurzarbeit*), technical employment applicable for suspended work contracts also partially financed by the state, days off for parents etc.

- **Tax measures to stimulate the maintenance / increase of equity (starting with the annual tax due for 2020)**
  - 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 fulfillment of certain conditions which refer to improved capitalisation;
  - the applicable reductions vary between 2% and 10% and may be cumulated under certain circumstances.

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.

USEFUL LINKS

- **Government of Romania website: click here**
- **Romanian National Agency for Fiscal Administration website: click here**
- **Taxhouse website: click here**

SLOVAKIA

LAST UPDATED: 5 October 2020

GENERAL INFO

At the time of the pandemic outbreak, parliamentary elections took place in Slovakia (29/02/2020). The new government was created on 21/03/2020 and as early as on 02/04/2020, the First Aid Package was approved to decrease the economic impact of the COVID-19 crisis on both businesses and citizens. Further measures followed on a step-by-step basis.
The following is an overview of the main **tax-related measures** taken in **Slovakia** in response to COVID-19 crisis and also of general tax measures announced which may be enacted in the following months.

PUBLISHED COVID-19 TAX MEASURES

- **Extended tax return filings & tax payment**
  Deadlines for corporate and income tax returns normally due after 12/03/2020 have been extended. The new filing deadline is the end of the calendar month following the end of the pandemic. The tax is due within the extended deadline, too. In September 2020, the Parliament decided that the end of pandemic for tax purposes is 31/09/2020. This means that **the new filing and payment deadline is 02/11/2020** (31/10/2020 falls on Saturday – not a working day).

- **Suspension of or decrease in income tax advances:**
  Taxpayers can choose one of four options which is most favourable for them:
  - If the sales revenues dropped by 40%, taxpayers do not have to pay any tax advances (starting from May).
  - If 2019 tax liability > 2018 tax liability, tax advances may be paid in the same amount as in the previous year.
  - If 2019 tax liability < 2018 tax liability, tax advances will be paid according to the 2019 tax liability.
  - A request for determining tax advances on an individual basis may be filed with the tax administrator.

- **Option to deduct unutilised losses:**
  To support businesses, unutilised tax losses reported for the periods 2015 to 2018 may be deducted from the 2019 tax base. Taxpayers may utilise these tax losses in the maximum amount of EUR 1 million.

- **VAT**
  There have been **neither changes to the VAT rates nor deadline extensions** for filing VAT returns and VAT payment.

- **Status of limitation period, time periods and time limits and other procedural measures**
  The tax proceedings and audits which started before the pandemic could have been suspended upon the request of the taxpayer. The proceedings which started during the pandemic were frozen automatically after their opening date. An exception were tax proceedings in which decisions on refunds were taken. Time limits stipulating the period until which the tax administrator may start tax proceedings including audits, request additional tax etc. were frozen during the pandemic period. **All the frozen and suspended deadlines and proceedings continue running after 31 September 2020** (end of the pandemic period for tax purposes).

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SLOVAKIA

FUTURE TAX MEASURES

Currently, an **Amendment to the Income Tax Act** is being discussed by the Parliament. The amendment is expected to be approved in the course of October or November 2020 and the new provisions should become applicable from 01/01/2021 (some of them from 01/01/2022).

Overview of the most significant proposed changes:

- **Tax exemption of special COVID-19 contributions:**

During the pandemic, special state-funded contributions and subsidies aimed mainly at preserving jobs were granted to employers and self-employed persons subject to meeting prescribed criteria such as a drop in sales revenues or mandatory closure of branches. According to the draft Amendment, these COVID-19 contributions will be exempt from tax both on the side of employers and employees. In economic terms, this will mean a de facto increase of the already provided contributions by another 20%. The exemption will be **applicable already when filing tax returns for 2020**.

- **CFC rules for individuals**

With the aim to prevent aggressive tax planning and profit shifting to tax havens and low-tax jurisdictions, CFC rules will be introduced also for individuals. CFC rules for legal entities were introduced already in 2017.

- **New rules to prevent hybrid mismatches**

This measure is related to the implementation of ATAD2. The aim is to avoid hybrid mismatches which lead to double non-taxation on income. Non-resident majority partners of transparent entities will be taxed at the level of the transparent entity in Slovakia applying the corporate income tax rate of 21% unless they provide a proof that the income has been subject to tax in their residency state.

- **Changes in the taxation of non-resident sportsmen and artists**

- **Specification of the definition of tax residency**

- **Specification of the definition of the place of effective management of a legal entity**

Currently, the Parliament discusses also an **Amendment to the VAT Act**.
Most important proposed changes in the VAT area:

- **New VAT rules for e-shops**

- **Refund of VAT from unsettled invoices by the state to companies**

USEFUL LINKS

- **http://www.bmb.sk/**
- **Government website with COVID-19-related information in English: https://korona.gov.sk/en/**

SOUTH KOREA

LAST UPDATED: 12 October 2020

GENERAL INFO

The following is an overview of the main tax measures announced by the Korean Government in response to the economic impact of COVID-19.

PUBLISHED COVID-19 TAX MEASURES

- For commercial property landlords (both individual and corporate landlords) who reduce rent receivable from small business owner lessees during the period January-June 2020, an amount equal to 50% of the reduction in rent is deductible.
- Reduction of personal income tax ("PIT") / corporate income tax ("CIT") payable by small and medium 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.
- 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.
- Value-added tax ("VAT") reduction for small individual-owned businesses with an annual turnover of KRW 80M (excluding VAT) or less.
- Liability to pay VAT is exempted for simplified VAT taxable persons whose annual turnover is between KRW 30M – 48M.
- 70% of the special consumption tax is exempted for cars purchased between March and June 2020.
- For amounts paid with a credit card, etc. between March and June 2020, the deduction% is doubled.
- For entertainment expenses, the deductible amount limit is temporarily increased (0.35% up to KRW 10bn, 0.25% from KRW 10bn up to KRW 50bn, and 0.06% for amounts exceeding KRW 50bn).
- A one month automatic extension for filing and payment of CIT (final tax return filing originally due in March) and VAT (filing for the first quarter of 2020 originally due in April) for businesses located in the "Special Disaster Areas". Small and medium enterprises located in the "Special Disaster Areas" can also apply for additional tax support (i.e. tax payment extension), in which case the payment of PIT, CIT and/or VAT can be deferred for a maximum of 9 months – 2 years.
- For 2019 PIT returns and payments, individual taxpayers are still required to file their PIT returns by the original filing due date of 1 June 2020, but will have until 31 August 2020 to pay PIT (i.e. payment due date extended for 3 months). Taxpayers whose business was affected by a sharp decline in sales due to COVID-19 can also apply for a tax filing extension for a maximum of 3 months.

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SOUTH KOREA

RECENTLY-ANNOUNCED TAX MEASURES

In July 2020, the Ministry of Economy and Finance announced the proposed tax law amendments, including the following.

- **Expansion of the scope of investment tax credits offered under the Tax Preferential Control Act ("TPCA") – Applicable to taxes reported on or after 1 January 2021**

  - **Integration and simplification of the investment tax credit regimes:** A new "integrated investment tax credit regime" will be created by integrating and redesigning a number of different tax credit types with different target groups and different levels of incentive.

  - **Significant expansion of the scope of assets subject to tax support:** Currently, the law provides a list of assets to which various types of tax incentives apply (i.e. positive enumeration). Under the proposed amendments, tax incentives will apply to all types of general tangible business assets and the law will provide a list of exceptions for such tax incentives (i.e. negative enumeration). Certain industries will be excluded, and tax incentives will not be provided to investments made in the Seoul Metropolitan Area (no change from the current law).

  - **Higher incentive for increased investment:** Additional tax deduction will be offered for any increase in the investment amount (within the limit of 200% of the basic tax deduction amount).
    (i) Basic tax deduction: Amount of investments made during the relevant financial year x Basic deduction rate
    (ii) Additional tax deduction to be offered under the proposed amendments: [Amount of investments made during the relevant financial year – Average amount of investments made over the past 3 financial years] x Additional deduction rate

- **Additional changes for improvement of the business environment**

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

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

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

USEFUL LINKS

- **https://english.moef.go.kr/**
- **https://www.yulchon.com/en/resources/yulchon-news-view/25998/page.do**

SPAIN

LAST UPDATED: 28 October 2020

GENERAL INFO

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 also of general tax measures announced which may be enacted soon.

COVID-19 TAX MEASURES

- On **14 March 2020**, Spain declared the State of Alarm, this declaration being accompanied by the approval of tax measures, modified and/or completed in the following months, the main summarised below:

- **Annual Accounts**
  Extraordinary measures have been approved aimed at increasing flexibility on the way and time in which meetings of the governing bodies of private law legal entities are held. Among others, the time limits to formulate and approve annual accounts have been delayed, so that the approval of those accounts might take place in general in October 2020 (when the fiscal year is the calendar year); in line, taxpayers may modify the Corporate Income Tax –CIT- return which should have been filed in July 2020 (corresponding to FY19), when final accounts are approved and up to the end of November 2020.

- **Accelerated depreciation and tax credits**
  Tax credits for donations (Personal Income Tax –PIT- and CIT), investments in cinematographic productions and audio-visual series and automotive industry (CIT) have been increased. Also, within the 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.

- **VAT and General Indirect Canary Islands Tax (GICIT)**
  Up to the 31 October 2020, 0% 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.

- **Status 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 State of Alarm, the main implication being that the status of limitation period of taxes will be deemed suspended for 78 days (between the 14 March and the 31 May 2020).

- On **25 October 2020**, Spain has declared a new State of Alarm, mainly focused on potential restrictions of personal movements.

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SPAIN

NEW DEVELOPMENTS OUT OF COVID MEASURES

New taxes have been approved and published on 16 October:

- Tax on certain digital services ("Google Tax"): 3% on income of services deemed located in Spain, applicable to companies, which world net income is over Euro 750 million and Spanish net income is over Euro 3 million. The returns will be filed in a quarter basis.

- Tax on financial transactions ("Tobin Tax"): 0.2% applicable on 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 the place in which the acquisition takes place and the residence of the parties in the transaction. The returns will be filed in a monthly basis.

Both taxes will apply as from the 16 January 2020.

FUTURE TAX MEASURES

- **DAC6** has not been implemented yet in Spain (transposition law is currently under parliamentary discussion). It is expected that its effective application is deferred in line with the option granted by Directive 2020/876/EU approved by the Council of the EU, which permitted an extension of the time limits for the filing and exchange of information.

- **Tax reform:** The Government has filed to the Parliament (in October 2020) the Budget Project Law and an Anti Tax Avoidance Project Law. Main announced measures are:

  - Personal taxes: (i) Increases in PIT rates and (ii) in Wealth Tax rates; apparently with effect as from 2021.

  - CIT: Limitation of the holding participation exemption to 95% of dividends and capital gains (presumably, even in mergers and within Spanish tax groups).

  - Antifraud measures: (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.

USEFUL LINKS

- https://www.garrigues.com/doc/doc/Garrigues-Medidas-Tributarias-COVID-19-Espana.pdf

- Medidas Tributarias COVID-19

SWEDEN

LAST UPDATED: 8 October 2020

GENERAL INFO

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

PUBLISHED COVID-19 TAX MEASURES

- **Concerning enterprises:**
  - The Tax Agency will have a possibility to grant companies a respite with payments of withheld wage tax, social security contributions and VAT for the period January – September 2020.
  - Reduction of employer social security contributions in March – 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 through December 2020. However, this is not applicable for gifts in the form of cash or other forms that can be converted to cash. Such gifts are still seen as taxable salary.
  - A company can receive state support for the salary costs for short-time temporary lay-offs of up to 80% of work time) in the period mid-Mach – September 2020.
  - The state reimburses all or part of an employer's sickness pay in the period April – July 2020.
  - Landlord can get reimbursed for up to 50% of rent reductions due to Covid19 for sensitive business, e.g. retail, hotels and restaurants.
  - Cash support to companies with a revenue drop in the period March – July. Minimum drop in March-April: 30%, May; 60% and June-July: 50%. Maximum support, which is capped, is 75% of the drop.

- **Concerning individuals:**
  - Free parking at the place of work provided by the employer is tax free in the period April through December 2020.
  - 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.

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SWEDEN

FUTURE TAX MEASURES

- **DAC6** has been implemented and into force in Sweden since 1 July 2020. For cross-border tax arrangements that has been done from 1 July 2020, reporting has to be done at latest by 31 January 2021.

- **The budget proposition for 2021** contains a number of tax related measures such as:

  - 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.

  - Increase of deduction of social security contributions concerning employees in research or development
    - ✓ The requirement for how much of the working time during the calendar month that the employee has worked with 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.

USEFUL LINKS

- **Government of Sweden's website: click here.**

UNITED KINGDOM

LAST UPDATED: 02 October 2020

GENERAL INFO

The following is an overview of the main tax measures published in the UK in response to the economic impact of COVID-19 and also of general tax measures announced which may be enacted in the following months.

PUBLISHED COVID-19 TAX MEASURES

- Coronavirus Job Retention Scheme ('CJRS'). The CJRS is available to all UK employers to enable them to assess support to pay part of their employees' salaries if those employees would otherwise be made redundant as a result of the crisis. The scheme is now closed to new entrants but will apply until the end of October 2020. For October, the government will pay 60% of wages up to a cap of £1,875. Employers will pay employer NICs and pension contributions and 20% of wages to make up an 80% total up to a cap of £2,500. After CJRS ends in October, the government will give employers a £1,000 bonus per employee for all employees that they previously claimed for under the scheme and who are still continuously employed up to 31 January 2021. Eligible employees must earn at least £520 a month on average between the 1 November 2020 and 31 January 2021.

- If the business needs additional time to pay all taxes, HMRC has extended its "Time to Pay" helpline. Businesses can request deferrals for VAT, payroll taxes and direct tax. These 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 and this includes bank statements and cashflow forecasts.

- 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.

- 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.

- 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.

- 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.

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UNITED KINGDOM

FUTURE TAX MEASURES

VAT

- The temporary zero rate applied to Personal Protective Equipment ends on 31 October 2020.
- The domestic reverse charge for supplies of building works or construction is 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 import duty and VAT reliefs for protective equipment brought into the UK from non EU countries ends on 31 October 2020.
- 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") ends on 31 October 2020 (see previous slide).
- A new job support scheme has been announced, which will run from November 2020 for a period of 6 months. 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 20% of average monthly profits, up to a total of £1,875.

USEFUL LINKS

- https://www.alvarezandmarsal.com/expertise/uk-tax
- Government of the UK's website: click here

USA

LAST UPDATED: 28 October 2020

TAX MEASURES

- **Employment Tax Credits (Phase II)**

The Families First Coronavirus Response Act (HR 6201) required small businesses to expand paid sick-leave and family leave (FMLA Leave) to individuals affected by the virus. Employers are eligible for a payroll tax credit equal to 100% of the sick-leave and FMLA Leave paid by the employer with respect to such quarter. The legislation affects businesses smaller than 500 employees (subject to certain aggregation rules), but businesses with 50 employees or fewer may be exempt.

- **Expanded Unemployment Insurance (UI), Tax Credits, and Retirement Plan Provisions (Phase III)**
  - Provides an immediate $1,200 rebate, plus $500 per child, to each individual ($2,400 per couple) with adjusted gross incomes of $75,000 ($150,000 per couple) or less; individuals earning up to $99,000 ($198,000 per couple) will receive a proportionally reduced rebate.
  - Incentivizes short-time compensation/work sharing programs to deter layoffs.
  - Refunds 50% of qualified wages paid to employees by employers whose operations were severely disrupted by COVID-19; the credit is limited to the first $10,000 in compensation per employee for a maximum credit of $5,000 per employee. Note that there are different rules for calculating the available credit for employers with greater than 100 employees and employers with less than 100 employees.
  - Loans up to $100,000 from qualified plans may be taken for Coronavirus-related purposes. The loan repayment period is extended by one year.
  - 10 percent early withdrawal penalty waived for coronavirus-related retirement plan withdrawals up to $100,000. Income attributable to these distributions subject to tax over three years and the taxpayer can recontribute those funds within the three period.
  - Minimum distribution rules waived for certain defined contribution plans and IRAs.

- **Delayed Payment of Employer Payroll Taxes (Phase III)**
  - Employers (except those with indebtedness forgiven under the Act) and self-employed individuals can defer the employer portion of Social Security taxes due from the Act's enactment through the end of 2020 until the following future dates:
    - 50% deferred until 31 December 2021; and
    - 50% deferred until 31 December 2022.
  - An employer is not eligible for deferral if it receives a Small Business Act loan under the Paycheck Protection Program and has any amount of such loan forgiven pursuant to Section 1106 of the Keeping American Workers Paid and Employed Act or pursuant to the United States Treasury program management authority.

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TAX MEASURES

- **Business Tax Provisions (Phase III)**
  - Net Operating Loss
    - Corporations can carry back net operating losses from 2018, 2019, and 2020 for five taxable years.
    - The 80% of taxable income limitation on the use of NOLs was removed for 2018, 2019, and 2020.
    - Rules regarding loss limitations for pass-through businesses and sole proprietors are relaxed.
  - Limitations on Interest Expense Deduction
    - For taxable years beginning in 2019 or 2020, taxpayers other than partnerships can calculate the amount of interest they can deduct based on 50% of their adjusted taxable income (instead of 30%), unless they elect not to, and
    - For taxable years beginning in 2020, taxpayers can generally elect to use their 2019 adjusted taxable income to calculate the interest deduction limit.
    - For partnerships, for 2019, partners that were allocated excess business interest expense from a partnership (business interest expense that exceeded the partnership's section 163(j) limitation) can deduct 50% of such amount in 2020 without any limitation, unless they elect not to do so. This election is made at the partner level.
    - For partnerships, for 2020, A partnership's section 163(j) limitation is calculated based on 50% of ATI, instead of 30%, unless the partnership makes an election not to. A partnership can elect to use its 2019 ATI in place of its actual 2020 ATI (prorated if the 2020 taxable year is a short taxable year) in place of its actual 2020 ATI. Both elections are made at the partnership level.
  - Alternative Minimum Tax (AMT) Refundable Credit
    - The time for corporations to claim a refundable credit for past alternative minimum taxes paid is accelerated.
  - Paycheck Protection Program ("PPP") Loan Forgiveness
    - Pursuant to the CARES Act, the recipient of a "PPP" Loan can obtain forgiveness of all or a portion of the loan to the extent that the borrower uses the proceeds to pay for certain types of expenses (i.e., payroll expenses) during the 8-week "covered period" beginning on the loan origination date under the CARES Act.
    - The CARES Act provides that, for purposes of the U.S. Federal income tax code, any amount that would be includible in gross income of the recipient by reason of a debt forgiveness under the PPP Loan program "shall be excluded from gross income."
    - IRS Notice 2020-32 takes the position no deductions may be taken for the amounts of any payments of expenses, to the extent they resulted in a loan forgiveness that was excluded from gross income under the provisions of the CARES Act PPP Loan program.
  - Retail Glitch Correction
    - Qualified improvement property is eligible for accelerated depreciation deductions under section 168(k).

Useful Links:

- **White House's website: click here.**
- **Internal Revenue Service's website: click here.**
- **COVID-19 State and Local Tax Response Summary Update: click here.**

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