



Governments around the world enact legislation to address impacts of COVID-19

An update on tax incentives and government relief

Over the past several months, the COVID-19 pandemic has shifted priorities for many businesses and has had a dramatic impact on economies worldwide. In the acute phase, businesses focused on preserving cash, addressing mounting financing pressures, and business continuity issues. While this varies by industry and by size of the organization, governmental measures have been enacted to help both businesses and individuals.

Here is a look at what we're seeing and some practical next steps as many companies enter the recovery phase.

What we are seeing

Stay informed

Based on responses from our ongoing survey of nearly 130 locations, our Government Response portals reflect a shift toward reopening the economy in response to COVID-19. Access timely updates on Tax & Financial Measures and Business & Social Impact Measures as they evolve around the world. Learn more by visiting the [Government Response site](#).

- Lockdowns went into effect in most locations at the height of the crisis. As infection, hospital, and death rates plateaued and dropped, some locations are easing restrictions, and economies and businesses are slowly reopening with social distancing protocols still in place.
- As many companies continue to develop and implement downturn plans and apply cost-saving measures to improve resilience, others are strategizing for recovery, depending on location and industry. Short- and long-term priorities, navigating disruption, adding value, and understanding tax opportunities remain areas of focus.
- Governments and tax authorities are unleashing an unprecedented number of new tax measures to keep businesses afloat and help reduce some of the more disruptive economic impacts of the crisis. These measures include help for corporations and individuals, such as deferral of tax filings and payments, payroll tax and social security deferral or reduction, and low-interest financing, and more may be expected.
- A number of countries are increasing tax rates in order to cover the costs of the COVID-19 economic measures. This trend may widen but is difficult to predict as some countries that have a Value Added Tax (VAT) are proposing to reduce VAT rates to stimulate spending and their economies, while others are raising VAT rates to generate tax revenues.

Major events like this teach us cash is king, and cost savings are a must. CFOs and tax directors should consider quickly the need to adapt their focus from long-term investments and strategies to short-term cash management and immediate cost saving measures to protect businesses, such as:

- Cash refunds and rebates making full use of tax incentives and government relief.
- Making use of programs to deferral of cash tax payments, social security payments, rentals, government charges, etc.
- Utilization of tax losses, and timing of expenditure that might accelerate tax relief.
- Government sponsored short-term/special-purpose loans.

Practical next steps



**Take timely action
and be prepared to
pivot**

Closely monitor and map out the eligible COVID-19 related tax incentives and government relief:

- Keep a close watch on the recently issued COVID-19 related tax incentives and government relief. These policies are scattered among different rules and regulations issued by central/federal government agencies. Further implementation rules are sometimes issued at the provincial/state or municipal level, which may vary considerably. Build agility to pivot, including contingency planning, triggers for plan-B activation, and rehearse plans.
- Map out your eligibility and the financial impact to your legal entity, including at the group level. Also be aware of restrictions some countries are putting in place, for example, prohibiting dividends by companies that receive government support.
- Understand the application requirements, procedures, and timelines with the government authorities.
- Develop a proportionate response plan— short- and long-term—with activation deactivation triggers, clear timelines, and responsible parties. Introduce executive dashboards and set team communication plans and cadences. Take action and regularly monitor progress.



**Identify opportunities
and risks**

Take stock of pre-existing preferential tax treatments, government relief, and cash saving opportunities:

- Evaluate other available tax savings and government relief, which may not be directly related to COVID-19 (e.g., high tech status, R&D super deduction, VAT exemption and refund on exports, or refund of VAT input credit).
- When evaluating these opportunities, consider the interaction with government incentives, the need for planning and business restructuring, and the associated costs and benefits.
- For incentives and relief currently being enjoyed, evaluate whether they will be affected by the impact of COVID-19 on business operations and financial statements, and take proactive action to address any potential issues.
- Identify the impact of disruptions and announcements made by governments, such as: immigration, travel restrictions, impact of delayed compliance, ETR review and planning, evaluating force majeure clause, impact of contract cessation delays, etc.



**Keep compliance at
the forefront**

Ensure continuous tax compliance:

- Continue to manage your regular tax compliance obligations carefully, such as monthly, quarterly, and annual tax filings, and other statutory filings.
- Plan for post-disruption such as tax impact of temporary shutdowns contract restricting costs, strategy for short-term cash generations unlocking refunds, dispute resolution, financial modeling for alternate business structure, evaluate tax effects of short-term supply chain changes, supply chain planning, tax loss mapping, deferred tax accounting, etc.
- Pay attention to the special filing and documentation requirements in relation to tax incentives and relief, such as maintaining valid proof to substantiate tax deduction of charitable donations.

As the pandemic sends shock waves through the global economy, some businesses and locales struggle to respond while others move toward recovery, and most are encountering common challenges. Demand for products and services is down. Supply chains are disrupted. Businesses are seeing deferrals of cash inflows from consumers, vendors, and clients, and for this and other reasons are facing difficulties in meeting staff expenses and debt servicing.

Informed decision-making in a time of uncertainty

A clear, confident, and smart response to the COVID-19 pandemic built on trusted advice and informed decision-making is required to counter current challenges, prevent future harm, and prepare for successful recovery. We are seeing:

- Demand for update alerts and approach notes at an all-time high.
- Businesses are seeking assistance in sorting through and analyzing the tax implications of new tax legislations and announcements.
- As employees move off-site, investments in tax technology solutions and workflow and collaboration tools to support remote working, business continuity, and legal and regulatory data privacy and security are up.
- Even outsourcing remote workers is on the table as a solution to meet financial statement reporting requirements.

As we work through unprecedented disruption, sticking to the fundamentals is proving to be the rule: balance risk against opportunities, supply chain planning to assess vulnerability, focus on cash tax opportunities, and strengthening the business' cash position to preserve liquidity are priorities.

For more tax and legal leader perspectives from around the world visit www.deloitte.com/taxCOVID. This COVID-19 resource center will be refreshed frequently with up-to-date tools and information.

CONTACTS

Eunice Kuo

Partner
Global Tax & Legal COVID-19 Leader
Deloitte China
eunicekuo@deloitte.com.cn

Rochelle Kleczynski

Partner
National COVID-19 Response
Tax Leader
Deloitte Tax LLP
rkleczynski@deloitte.com

Kendra Hann

Partner
Global Indirect Tax Leader
Deloitte UK
khann@deloitte.co.uk

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