Baker McKenzie.

COVID-19

Government Intervention Schemes

Current as of 24 June 2021

Government Intervention Schemes

EMEA AMERICAS AP

Following the unprecedented impact of the COVID-19 pandemic on countries around the globe, the Government Intervention Schemes Guide provides a summary of key government intervention measures across jurisdictions in relation to:

- **Foreign Investment Restrictions:** Businesses and investors must carefully consider foreign investment review risks at this highly sensitive and volatile time. Taking the time to understand the rules, which are changing day after day, and identify a regulatory strategy, including appropriate messaging and communication with the relevant governmental authorities, and the consequential impact on deal documentation.
- **Debt and Restructuring & Insolvency** - In response to COVID-19, governments have announced various measures to support companies' debt arrangements including deferred payments, guaranteed credit facilities, and government-backed loans. Some jurisdictions have also put in place measures, in some instances on a temporary basis and in others more permanently, to reform their insolvency regimes in order to help manage the anticipated increase of companies in financial distress situations.
- **Equity:** While still in the minority, some governments have announced or are considering various (semi-) equity support measures to support businesses. Such measures may include, among others, taking an equity stake, purchasing convertible bonds and subordinated loans. See 'A Note on (Semi-) Equity Measures' (page 5) for further information and resources.
- **Taxation:** Similarly, governments have announced new taxation measures to support businesses including deferral of payments, expedited customs clearance and suspension of interest on tax payments.
- **EU State Aid Approvals:** Due to the rapid impact on EU Member States' economies directly resulting from COVID-19, the EU Commission has taken measures (the 'Temporary Framework'), explained in this guide, which permit fast-track COVID-19 State aid approvals in certain areas including State guarantees for loans.

A **summary** of measures per jurisdiction is provided on the following pages. It can be accessed throughout the document by clicking on the icon shown on the right.

If you would like further information, contact your relationship partner or the key partners for this publication (details on page 5). **Baker McKenzie's 'Beyond COVID-19: Resilience, Recovery & Renewal' Resource Hub** also holds a wealth of reference materials on this topic.

Navigate to:

Regional insights

EMEA

Americas

Asia Pacific

Summary

Legend:

NEW = newly added chapter since previous publication

= updated since previous publication

Summary of measures in place

To go to the relevant chapter, please click on the flag

EMEA	Austria	Bahrain	Belgium	Czech Rep.	Egypt	France	Germany	Hungary	Italy	Kazakhstan	Luxembourg	Morocco	Netherlands	Poland	Russia	Saudi Arabia	South Africa	Spain	Sweden	Switzerland	Turkey	Ukraine	UAE	UK	EU
EU State Aid Approvals	✓		✓	✓		✓	✓	✓	✓		✓		✓	✓				✓	✓					✓	✓
Foreign Investment Restrictions	✗	✗	✗	✗	✗	✓	✗	✓	✓	✗	✗	✓	✓	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✓	✓
Debt	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Restructuring & Insolvency	✓		✗	✓		✓	✓	✗	✓	✗	✓	✓	✓	✓	✓		✓	✓	✗	✓	✓	✗		✓	
Equity	✗	✗	✗	✗	✗	✓	✓	✗	✓	✗	✗	✗	✗	✓	✗	✗		✗	✓	✗	✗	✗		✓	✗
Taxation	✓		✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓	✓		✓		✓	

✓ = measures in place; please refer to chapter for details ✗ = no measures in place in specific response to COVID-19 blank = not (yet) included in this guide or N/A

Summary of measures in place

To go to the relevant chapter, please click on the flag

Americas	Argentina	Brazil	Canada	Chile	Colombia	Mexico	Peru	US	Venezuela
Foreign Investment Restrictions	✗	✗	✓	✗	✗	✗	✗	✗	✗
Debt	✓	✓	✓	✓	✓	✓	✓	✓	✓
Restructuring & Insolvency	✗	✗	✓	✓	✓	✓	✓	✓	✗
Equity	✗	✗	✓	✗	✓	✗	✗	✗	✗
Taxation	✓	✓	✓	✓	✓	✓	✓	✓	✓

APAC	Australia	China	Hong Kong	Indonesia	Japan	Malaysia	Philippines	Singapore	Taiwan	Thailand	Vietnam
Foreign Investment Restrictions	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗
Debt	✓	✓	✓		✓	✓	✓	✓	✓		✓
Restructuring & Insolvency	✓	✓	✗	✗	✗	✓	✓	✓	✗	✗	✗
Equity	✗	✗	✗		✗		✓	✗	✗		✗
Taxation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ = measures in place; please refer to chapter for details

✗ = no measures in place in specific response to COVID-19

blank = not (yet) included in this guide or N/A

A Note on (Semi-) Equity Measures (1/2)

The COVID-19 pandemic requires governments to adopt a multi-faceted approach to address the immediate situation, stabilize the economy and support businesses going forward. As liquidity concerns have crystallised and come under additional scrutiny, businesses are finding it more difficult to secure conventional sources of funding in a timely manner. A key consideration for governments, industries and businesses is how to prevent liquidity problems from becoming solvency problems.

One tool available to governments is the use of equity or semi-equity support measures. This could take the form of acquiring an equity interest in a specific company leading to full or part nationalisation or semi-equity (or quasi-equity) support involving debt which is similar to equity such as convertible bonds or subordinated debt. Sometimes, preferred shares are also included under such category.

Below we discuss some of the trends we have been seeing, give some thought to what may be to come and set out some of our alternative resources around equity financing.

What are we seeing?

While the nature and scale of the crisis puts in largely unchartered territory, a picture is emerging that some industries, such as aviation, automotive and hospitality, have been severely hit leading to further fallout. So far, we haven't seen the mass adoption by governments of equity support measures and, in most cases, other than Europe where the EU Commission has provided a state aid framework for member states to implement measures (the Temporary Framework) and has announced the Recovery Plan for Europe (ERP), government interventions have not been coordinated but have instead have been led by individual governments as part of their national response.

Up until now, large scale government sponsored equity support programmes have been relatively limited. While some countries, such as the UK and Germany, have put equity support measures in place, we have not seen such responses in certain other jurisdictions that have been severely impacted by the pandemic. There may be valid reasons for this, for example, in China the largest industries are dominated by state owned enterprises and so there hasn't been the same need for outside support from the government. In Japan there are a number of large conglomerates covering a range of industries and so they have a sectoral hedge structurally built in, which has perhaps shielded them been from the worst effects and reduced the need for equity support.

What do we expect to see?

The direction of the pandemic and its continuing impact upon the economy are key factors that will impact a government's decision to introduce (semi-) equity support measures. Many businesses already feeling the pressure on their balance sheets may reach out for further government intervention if the pandemic continues to affect their operations and viability, so we may start to see governments introduce or extend their (semi-) equity support measures.

We are likely to continue to see a mix of tax and debt relief but, while equity support programmes may take longer to put in place, we are likely to see more targeted (semi-) equity measures in relation to specific companies or industries. Such measures can help to overcome liquidity shortages and strengthen the capital base of companies and are likely to focus on those related to, or which have a significant impact upon, national security interests such as supply chain security, critical infrastructure, the technology sector and the labour market.

A Note on (Semi-) Equity Measures (2/2)

Companies that either choose or are forced to accept equity support from governments are likely to find that such measures are contingent upon accepting a number of conditions. These may include the formulation of an exit plan, restrictions around dividend payments and executive compensation, and measures to avoid distorting competition. Governments may also seek to share the financial burden by allowing private investors and the public to participate.

Some governments may see the pandemic as a way to link equity support measures to initiatives that further the green and sustainability agenda. This is already happening in the EU, where the ERP is proposed to be used to accelerate the European Green Deal, which is a central pillar of Europe's growth strategy, alongside investment in digital technologies.

What is already becoming clear for companies operating cross-border is the difficulty in navigating between the different regimes. We can help you understand the interplay between the rules and help you structure and plan accordingly.

Resources

In addition to this Guide, you may also wish to refer to our other recent publications:

- Beyond COVID-19 PE Playbook: Looks beyond the immediate phase of the current crisis and discusses how private equity can find opportunities and unlock value in the midst of a downturn.
- Global Public M&A Guide: Provides an overview of some of the key legal considerations associated with public M&A transactions in 42 jurisdictions across the globe.
- Global PIPE Guide: Sets out a comparison of the features and requirements applicable to PIPE deals in a number of EMEA, Americas and Asia Pacific jurisdictions.
- Global Guide to Take-Private Transactions: Sets out a comparison of the key features and requirements applicable to take-private deals in a numbers of jurisdictions around the globe, including indicative timelines.

Contact details

Equity Schemes

Koen Vanhaerents
Partner, Brussels
+ 32 2 639 36 11
koen.vanhaerents
@bakermckenzie.com

Foreign Investment Restrictions

Samantha Mobley
Partner, London
+ 44 20 7919 1956
samantha.mobley
@bakermckenzie.com

State Aid

Nina Niejahr
Counsel, Brussels
+ 32 2 639 37 46
nina.niejahr
@bakermckenzie.com

Restructuring/ Insolvency Schemes

Mark Mandel
Partner, New York
+ 1 212 626 4527
mark.mandel
@bakermckenzie.com

Taxation Schemes

Antonio Russo
Partner, Amsterdam
+ 1 212 626 4527
antonio.russo
@bakermckenzie.com

Related Resources

Resilience, Recovery & Renewal:
A Podcast Series

Whether you are managing the immediate crisis, stabilizing operations or looking beyond to what a world after COVID-19 will look like, this series features key practical insights intended to strengthen your organization's capacity to respond, recover and thrive. Episode 4, '*The Role of Government Interventions on Business Survival and Revival*', is about the various measures that governments have taken to support the business community in relation to foreign investment restrictions, debt, equity and taxation and the crucial role that these interventions play in both business survival and revival.

Guests: **Koen V. Vanhaerents** (Partner, Global Chair of the Capital Markets Group) and **James Wilson** (Partner, Washington, DC).

COVID-19:
Data Privacy & Security Survey

As the world grapples with the COVID-19 pandemic and its profound impact across regions and industries, many companies are facing difficult business and legal challenges and are required to make some urgent decisions in order to keep their workforce safe and ensure business continuity. Data plays a crucial role in containing the spread of the virus but not every data processing can be justified on that basis. A balance must be found between protecting public health and personal privacy. Baker McKenzie is pleased to provide you with a guide designed to help employers assess whether or not certain data processing they may consider in light of COVID-19 is compliant with data privacy regulation.

Related Resources

COVID-19: Employee Benefits within the Financial Services Industry

During the current pandemic crisis many companies within the Financial Services Industry (FSI) are struggling to balance the various countries' COVID-19 relief measures with the very strict EU regulatory requirements that govern remuneration within the sector. An important question in this respect is whether application for COVID-19 relief implies that no, or lower variable remuneration may be paid, and if so, whether this only applies for Identified Staff or for all employees. To assist FSI companies in addressing these and similar issues, the EMEA Employee Benefits group at Baker McKenzie have compiled a guide which contains the input of our specialists in France, Germany, Italy, the Netherlands, Spain and the United Kingdom on the most pressing questions we have been asked by our FSI clients world-wide.

COVID-19: Product Import/Export Review

The past few months have seen an exponential increase in the demand for personal protective equipment ("PPE"), medical supplies, and other products, along with actual or feared shortages in some of those same products. To address this mismatch, many jurisdictions have employed a mix of a "carrot" approach (relaxing import duties and product regulatory requirements to facilitate the importation of these products) and a "stick" approach (imposing export restrictions prohibiting the exportation of these products. This tool is a multijurisdictional tracker that provides information on import and export measures imposed around the world in response to the COVID-19 pandemic.

COVID-19: A Global Review of Healthcare and Life Sciences Industry Issues

The increase in legal and regulatory measures arising out of COVID-19 is truly proportional to the growth of the pandemic itself. Although the measures affect all industries, many of these have direct implications and relevance on the healthcare and life sciences sectors. While some industries and services are forced to shut down, companies in the healthcare and life sciences ambit are pushed to work even harder, innovate faster, collaborate and be resilient at an unprecedented pace. Such measures aim to assure supplies of medicines and medical devices at home as well as to accelerate R&D through incentives. While the pandemic has put some clinical trials in jeopardy, many jurisdictions are now passing special regulations to protect patients while ensuring that ongoing trials can continue. Industry peers are "sharing" IP, be it through compulsory licensing or forced collaborative manufacturing arrangements. Many countries have adopted specific measures to broaden access to telemedicine, a trend expected to survive and grow well beyond the pandemic. In this guide, our experts from jurisdictions in Asia Pacific; Europe, Middle East and Africa; Latin America; and North America provide high-level insights to commonly asked questions around market access, clinical trials, IP risks and telemedicine.

EMEA

- Austria
- Bahrain
- Belgium
- Czech Republic
- Egypt
- France
- Germany
- Hungary
- Italy
- Kazakhstan
- Luxembourg
- Morocco
- Netherlands
- Poland
- Russia
- Saudi Arabia
- South Africa
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- UAE
- UK
- EU

Austria

EU State Aid Approvals

First scheme with a total estimated budget of EUR 15 billion has been approved. The scheme allows for the provision of aid in the form of (i) direct grants, repayable advances and guarantees with a maximum of EUR 800.000 per company; (ii) State guarantees for loans subject to safeguards for banks to channel State aid to the real economy; and (iii) subsidised public loans to companies, with favourable interest rates (8 April). The duration of the scheme has been extended till 30 June 2021 (9 November). The measure has been further amended to extend the application to 31 December 2021 and to increase the maximum amount of direct grants to EUR 1.8 million (9 February 2021).

Second measure which will provide 100% guarantees for underlying loans up to an amount of €500,000 (except for the agricultural and the fisheries and aquaculture sectors, where the 100% guarantees are limited to underlying loans up to an amount of €100,000 and €120,000, respectively). For loans above those thresholds, the schemes will provide 90% guarantees for underlying loans up of €25 million. The measure is limited to SMEs (17 April). The scheme was amended on 9 June and 17 July, respectively. The scheme has been further amended to extend the period of application of both schemes to 30 June 2021 (12 January 2021).

Third measure consisting of an aid package of 10 different measures. The aid takes the form of direct grants, equity contributions and advance payments. The purpose of the scheme is two-fold: (i) to support undertakings affected by the COVID-19 outbreak, and (ii) to support investment in R&D, testing and production of products that are relevant to the coronavirus outbreak. The total estimated budget is EUR 88 million (19 May).The aid package has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019, except for 1 measure ("State of Vienna: Innovate4Vienna scheme) (19 August). The measure has further been amended to extend the period of application of the Economic Development Fund of Carinthia until 30 June 2021 (9 December). The measure has been further amended to extend the period of application of two Tyrolian schemes until 30 June 2021 (12 January 2021). A further amendment of the measure relates to the Carinthian support measure which is extended to 31 December 2021 and with an increased maximum amount of aid under Section 3.1 TF to EUR 1.8 million (30 March 2021).

Fourth measure consisting of direct grants to SMEs and large undertakings having a decrease of turnover of at least 40% in the second quarter of 2020 or the chosen reference period of 1, 2 or 3 months between 15 March and 15 September 2020. The direct grants can cover up to 75% of the fixed costs of the beneficiaries for a period of 3 months with a max. of EUR 90 million per undertaking. The total estimated budget is EUR 8 billion (23 May).

Fifth measure consisting of two individual aid grants in the form of direct grants to support R&D projects by micro biotech companies, Apeptico and Panoptes in relation to COVID-19 research. The direct grant to Apeptico is estimated at EUR 840 000 and to Panoptes EUR 1.2 million (3 July).

EU State Aid Approvals

Sixth measure consisting of a EUR 150 million subordinated loan (convertible into a grant) in favour of Austrian Airlines AG. The subordinated loan is intended to compensate Austrian Airlines AG for damages directly incurred due to the COVID-19 lockdown measures and will be converted into a grant after auditing the 2020 financial statements to confirm that no overcompensation exists. This measure comes on top of an equity injection of EUR 150 million drawn down from the German Lufthansa recapitalization (25 June) and a State guarantee on a EUR 300 million loan under a previous approved scheme as amended on 9 June (6 July).

Seventh measure consisting of a scheme in the form of direct grants up to a maximum of EUR 800,000 to non-profit organisations of all sizes and their related entities, with the aim of providing the liquidity support necessary to preserve their activities. The total estimated budget is EUR 665 million (6 August). The scheme has been amended to extend its period of application to 30 June 2021 (18 December). The scheme has further been amended to extend its period of application to 31 December 2021 and to increase the maximum amount of aid per beneficiary to EUR 1.8 million (24 February 2021).

An eight measure consisting of aid in the form of direct grants, guarantees on new loans, and subordinated debt open to all companies (except financial institutions, and companies active in agriculture, aquaculture and fishery sectors) active in Lower Austria. The total estimated budget is EUR 120 million, split as EUR 20 million for grants, EUR 40 million for guarantees and EUR 60 million for subordinated debt (10 September). The duration of the scheme has been extended till 30 June 2021 (30 November).

A ninth measure consisting of aid in the form of direct grants to cover part of the uncovered fixed costs of companies affected by the coronavirus outbreak. Together with the measure approved in May (see fourth measure) the total estimated budget is EUR 12 billion (20 November). The measure has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid per beneficiary to EUR 10 million (9 February 2021).

A tenth measure consisting of aid in the form of direct grants up to a maximum of EUR 800,000 to all undertakings (including self-employed individuals, associations and institutions) that will organise events taking place in Austria between 1 February 2021 and 31 December 2022 and that will have to be cancelled or organised with significant restrictions, due to the coronavirus outbreak. The total estimated budget of the measure is EUR 300 million (19 January 2020). The measure has been amended to extend its period of application to 31 December 2021 and to increase the maximum aid amount per beneficiary to EUR 1.8 million (26 March 2021).

An eleventh measure consisting of aid in the form of State guarantees for package travel organisers and facilitators of linked travel services. The State guarantee will cover 100% of the beneficiaries' liability for travel services which could not be provided in full or in part due to the coronavirus outbreak, in the specific instance in which the beneficiaries become insolvent. The total estimated budget of the measure is EUR 300 million (4 February 2021).

Austria

EU State Aid Approvals	A twelfth measure consisting of aid in the form of a one-time bonus to subside wage costs covering holiday entitlements of employees on short-time work schemes in sectors that where affected by mandatory closures between November 2020 and March 2021. The estimated total budget of the scheme is EUR 95 million (2 June 2021).
Foreign Investment Restrictions	A new law (under the title "Investment Control Act") has just entered into force. The new law replaces the current regime (one specific provision in the Foreign Trade Law). Key amendments of the law are, inter alia, the following: (i) lowering the current 25% threshold (acquisition of voting rights) to 10% in following particularly sensitive areas: defense products and technologies; operation of critical energy infrastructure and critical digital infrastructure (in particular 5G infrastructure); water; operation of systems that guarantee data sovereignty in Austria; R&D in the area of pharmaceutical products, vaccines, medical devices and personal protection equipment; (ii) obligation to apply for an authorisation has been extended to the target company (if the acquiring company fails to comply with its obligation); (iii) list of types of transactions will be extended (will also cover indirect acquisitions or asset deals). Even though the new law cannot be considered as a specific response to COVID-19, some of its provisions have been introduced against the background of the crisis (e.g., the inclusion of pharmaceutical products, vaccines, medical devices and personal protection equipment in the list of particularly sensitive areas that has been limited to 31 Dec 2022).
Debt	The Austrian Federal Government set up a COVID-19 relief package with a total volume of EUR 49.6 billion or 12.5 percent of the country's GDP of 2019, to boost the Austrian economy which was hit by the effects of the pandemic. Roughly EUR 15 billion of the relief package are part of the so-called COVID-19 Relief Fund, which provides funding for subsidized loans secured by government guarantees, with the following terms: 100% guarantee for SME loans of up to EUR 500,000;90% guarantee for large-cap loans of up to EUR 120,000,000; in each case, the term of the guarantee is limited to five years, which may be extended to ten years upon request; Austrian companies may apply for these subsidized loans until 30 June 2021. Austrian companies applying for such loans must, *inter alia*, undertake and ensure, that on 31 December 2019, it did not qualify as an undertaking in difficulty within the meaning of Regulation (EU) 651/2014 and that it suffered financial difficulties due to the COVID-19 pandemic; the location and business activity is in Austria and that there is a liquidity requirement due to the domestic location; it has taken all reasonable measures to preserve jobs; the compensation of its executive bodies, employees and material agents acting on its behalf is limited to an "appropriate" amount. In particular, bonus payments to the management board or managing directors are limited to 50% of the amount paid in the previous year; and to refrain from disbursements (i.e., by way of dividends) to the shareholders between 16 March 2020 and 30 June 2021; to limit disbursements or distribution of profits to the shareholders for the term of the guarantee to the "economic circumstances" by applying a moderate dividend and profit distribution policy and to not release any reserves to increase retained earnings; and to not use the liquidity received from the subsidized loan (i) to pay profit distributions, (ii) to repurchase shares (in case of a stock corporation) and (iii) to pay bonuses to members of the management body.

Austria

Restructuring & Insolvency

The Austrian legislator has amended the filing requirements under the Insolvency Act (IO). A debtor is not obliged and a creditor is prohibited from filing for the opening of insolvency proceedings in case of over-indebtedness until 30 June 2021. Please note that the filing is still necessary if, in addition to being over-indebted, a debtor is also unable to pay its due obligations.

Some existing insolvency-related measures may also provide assistance to those businesses in distress as a result of COVID-19: extension of application period - upon the occurrence of insolvency, managers of an affected company are obliged under Section 69 IO to file for the opening of insolvency proceedings without undue delay no later than 60 days after the occurrence of insolvency. In the event of insolvency due to a natural disaster (such as the coronavirus pandemic), this period is extended to 120 days.; and

postponement of enforcements -pursuant to Section 200b of the Austrian Enforcement Act (Exekutionsordnung), a debtor can file for the postponement of an enforcement if it is affected by a natural disaster (such as the coronavirus pandemic).

Equity

No (semi-) equity support measures have been announced

Austria

Taxation

Corporate income tax

- Prepayments for income or corporate tax can be reduced more easily (even to zero) by submitting a request.
- Specific interest due (which results from an additional claim assessed in an income or corporate tax decree) can be reduced (also to zero) by request. Such reduction will however not become effective - regarding income and corporate tax for 2019 – until 1 October 2020.

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

No interest will be charged in case of a respite for tax payments, if a request is filed.

Excise / Import duties

N/A

Other taxes

N/A

Comments

Austria has announced reliefs for tax payments in order to secure the taxpayer's liquidity.

Deadlines for filing returns are not extended automatically. If the taxpayer wants to extend a deadline, a specific request is still required.

- No interest will be charged in case of a respite for tax payments (currently, 3.88% interest become due per annum) if a respective request is filed (the request is also simplified).
- Surcharges for late payments of taxes due can also be reduced (even to zero) upon request. Such request is recommended for monthly or quarterly prepayments of VAT and also, for example, for payroll tax.

A combined form for all reliefs can be found on https://www.bmf.gv.at/public/informationen/coronavirus-hilfe.html

Foreign Investment Restrictions

No new measures have been announced in specific response to COVID-19.

Debt

The government launched a financial and economic stimulus package worth BD 4.3 billion (approximately US$ 11.3 billion) to support Bahraini residents and the private sector. The measures include:

a. the deferral of monthly work fees and fees for issuing and renewing work permits for a period of 3 months commencing from 1 April 2020;
b. subsidising individual and corporate Electricity and Water Authority (EWA) utility bills for 3 months commencing from April 2020 (as long as the amounts do not exceed the amounts paid during the same period in 2019);
c. exempting all individuals and businesses from municipal fees for 3 months commencing from April 2020;
d. exempting all individuals and businesses from industrial land rental fees for 3 months commencing from April 2020;
e. exempting all companies in the tourism industry from tourism related levies for 3 months commencing from April 2020;
f. increasing the Liquidity Support Fund to BHD 200 million (approximately US$ 530 million);
g. working with the CBB to issue directives to raise the lending capacity of financial institutions in Bahrain (equivalent to circa BD 3.7 billion (approximately US$ 9.8 billion) to enable financial institutions to reschedule debt, suspend interest payments, extend payment instalments, provide more credit, etc.); and
h. redirecting all the programmes of Tamkeen (a semi-autonomous government agency that provides loans and assistance to Bahraini individuals and SMEs) to support financially distressed companies, as well as the restructuring / rescheduling Tamkeen loans.

Debt Moratoria

The Central Bank of Bahrain (CBB) has issued 10 regulatory measures to contain the financial repercussions of COVID-19, namely:

i. any credit card holder or impacted borrower must be offered 6 months deferral of instalments at no fees, no increase on interest and no increase in rate, unless the customer agrees for a shorter period;

ii. the loan to value ratio (LTV) rates for new residential mortgages for Bahrainis shall be reduced. Note: this does not apply to Mazaya loans;

iii. increasing near field communication (NFC)/ contactless payments limit to BD 50 (approximately US$ 130) without the need to use a PIN code;

Debt

iv. capping merchant fees imposed by local acquirers on debit card transactions at 0.8% and such fees must be distributed as follows: 0.35% to the acquirer, 0.25% to the issuer, 0.2% to the benefit company;

v. the CBB will provide retail banks concessionary repo arrangement up to 6 months at 0% on a case, by, case basis (here , the CBB will require licensees to submit their cash flow projection until FYE 2020 for CBB's assessment and consideration);

vi. reducing cash reserve ratio for the retail banks from 5% to 3%;

vii. excluding the deferrals mentioned in (i) above, the number of days past due for stage 1 expected credit loss (ECL) must be increased up to 74 days with effect from 1 February 2020;

viii. the cooling off period for reclassifying restructured facilities from Stage 3 to Stage 2 is reduced from 12 months to 3 months;

ix. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) limits for all locally incorporated banks are reduced from 100% to 80%; and

x. risk weight for capital adequacy purposes for Bahraini SMEs is reduced from 75% to 25%.

The CBB has sent multiple notices to all of its licensees (i.e., all banks, financing companies and micro financing companies) (the CBB Notices).

A. On 5 March 2020, the CBB sent a notice to all its licensees to consider granting all types of concessions (e.g., deferrals on payments, rescheduling debt, reducing profit/ interest rates, fees and commissions) in light of COVID-19 (the First CBB Notice).

B. On 8 March 2020, the CBB has sent a second formal notice to all of its licensees to take measures to mitigate the impact of coronavirus on customers (the Second CBB Notice).

C. On 12 March 2020, the CBB has sent a third formal notice to all of its licensees setting out the services continuity measures (the Third CBB Notice). Pursuant to the Third CBB Notice:

i. businesses continuity and disaster recovery plans must be ready for activation at any point in time;

ii. international and local funds transfer systems must operate effectively;

iii. CBB will ensure that ATMs are regularly loaded with cash;

iv. all trade finance transactions must be effected as per terms and conditions agreed with the relevant customers; and

v. customers must have access to banking services electronically and through designated branches.

Debt

D. On 17 March 2020, the CBB has sent a fourth formal notice to all of its licensees, outlining the regulatory measures as set out in point 1 above (the Fourth CBB Notice).

E. On 19 March 2020, the CBB has sent a fifth formal notice to all of its licensees and companies whose shares are listed on Bahrain Bourse ("listed companies") relating to safety guidelines to follow in upcoming general meetings (the Fifth CBB Notice).

F. On 23 March 2020, the CBB has sent a sixth formal notice to all of its licensees with implementation guidelines with regards to deferring loan installments for a period of 6 months (the Sixth CBB Notice). Pursuant to the Sixth CBB Notice:

i. Although all licensees must push back principal payments for a period of 6 months commencing from March 2020, licensees may still accrue interest/profit on these principal amounts (provided the monthly rate does not exceed the rate paid before).

ii. The deferral option will only cover on and off balance sheet cover exposures as of 19 March 2020 and exclude:

a. exposures classified in Stage 3 which are not serving the reduced cooling off period;

b. financing instalments received through court;

c. credit syndication facilities to resident corporates involving non-resident participating lenders;

d. pre-export financing under letters of credit without recourse to the resident corporate (exporter);

e. overdraft facilities; and

f. leveraged investments/margin call facilities.

iii. Discounted cheque facilities will be included as part of the deferral option in so far as new cheques are received if required. Similarly, progress payment discounted facilities are included in the deferral option if payment is not received.

iv. The cost of any extension in relation to life insurance policy shall continue to be borne by the borrower.

v. A claims moratoria will apply in respect of:

a. a personal and corporate guarantee;

b. collateral foreclosure; and

c. post-dated cheques until 30 December 2020.

Debt

vi. A CBB licensee has the discretion to apply an instalment deferral in respect of (a) foreign borrowers and (b) a borrower who decides the deferral option in March 2020.

G. On 24 March 2020, the CBB has sent a seventh formal notice to all of its licensees (the Seventh CBB Notice).Pursuant to the Seventh CBB Notice, the CBB reverted to its original approach, which is that both interest and principal are to be deferred and pushed forward by 6 months without any extra interest/profit or fees charged to the customer.

As far as we are aware, some banks have put some measures in place in respect of this notice.

Examples:

1. National Bank of Bahrain (NBB) issued a formal alert to all its clients to confirm they will be deferring all monthly loan instalments for Bahraini customers - individuals and business customers alike - for up to 6 months commencing from March 2020, with no additional fees and no increase in interest rate.
2. Bank of Bahrain and Kuwait (BBK) issued a formal alert to its retail customers stating that consumer, car and mortgage loan instalments are automatically deferred for a period of 6 months commencing on March 2020 at no additional fees and no increase in interest rate (March 2020 instalments deducted will be refunded).
3. Ahli United Bank (AUB) issued a formal alert to all its customers to confirm they will be deferring all business, consumer, mortgage, auto loans and credit card instalments for Bahraini customers for a period of 6 months commencing from March 2020. There will be no changes in the interest rate and instalments already paid during March will be refunded. Based on our understanding, CBB held various meetings with its licensees to discuss how best each licensee can implement these measures. The licensees are still in the process of finalising implementation plants. Accordingly, the details above are still "work in progress" at this point in time.

Further information on the measures is available on the CBB website:
https://cbb.complinet.com/cbb/display/display.html?rbid=1820&element_id=4102

Equity

No (semi-) equity support measures have been announced.

Belgium

EU State Aid Approvals

A first measure consisting of a loan guarantee scheme for new and existing loans to undertakings of all sizes that cannot benefit from the federal guarantee scheme (see second measure) and that are active in the Flemish Region. The total estimated budget is EUR 3 billion. (9 April). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

A second measure consisting of a loan guarantee scheme providing aid in the form of guarantees on portfolios of qualifying loans to undertakings of all sizes.

The total estimated budget is EUR 50 billion. (11 April) The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). A further amendment extends the deadline to grant the guarantee until 31 December 2020 and changes the rules to calculate the maximum amount of the underlying loan (18 September).

A third measure deferring the payment by Walloon airports of concession fees to the Walloon Region to mitigate the economic impact of the coronavirus outbreak on those airports (11 April). The measure has been extended and amended to cover also the concession fees due for 2021, resulting in a budget increase of EUR 17.5 million (12 April 2021).

A fourth measure consisting of direct grants up to EUR 3 000 per undertaking active in the primary production of agricultural products and in aquaculture for the food sector, based in the Brussels-Capital Region. Total budget estimated at EUR 200,000 (24 April). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November).

A fifth measure consisting of a EUR 4 million Belgian direct grant scheme to support coronavirus related research and development (R&D) projects in the Brussels-Capital region. (27 April) The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

A sixth measure consisting of an EUR 530 million scheme, financed by the Walloon region, to support companies in the context of the coronavirus outbreak through guarantees under four different guarantee schemes (30 April). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

EU State Aid Approvals

A seventh measure consisting of a subordinated loan scheme of the Flemish Region for start-ups, scale-ups and SMEs with a total estimated budget of EUR 250 million (5 May). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

An eight measure consisting of a second subordinated loan scheme for start-ups, scale-ups and SMEs active in the Flemish Region. The estimated budget is EUR 250 million (11 May). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

A ninth measure consisting of aid in the form of direct grants and repayable advances to support coronavirus related research and development (R&D) and investments in the production of products relevant to the coronavirus outbreak in the Walloon Region. The total estimated budget is EUR 25 million (12 May).The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July).

A tenth measure was approved on 14 May. It consists of a EUR 500 million guarantee (reinsurance) administered by Credendo (credit export agency) to guarantee loans to companies which realize at least 30% of their turnover from exporting activities. The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July).

An eleventh measure is conceived as a stop loss mechanism in the form of a quota-share reinsurance of short-term credit and surety risks. Total budget is estimated at EUR 903 million which is the maximum loss the Belgian State can incur (15 May). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July).

A twelfth measure consisting of direct grants with a maximum aid intensity of 50% to companies of all sizes active in the Flemish Region to support investments in the transformation for production of COVID-19 relevant products. The estimated budget is EUR 21 million (19 June). The scheme has been amended to allow for support to micro and small companies already in difficulty on 31 December 2019 (31 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 and to increase the maximum aid amount per beneficiary to EUR 1.8 million (26 March 2021).

A thirteenth measure consisting of recapitalization of Aviapartner, the ground handling service provider at Brussels National Airport, through a EUR 25 million convertible loan. The measure has been assessed on the basis of Section 3.11 of the TF applicable to recapitalization measures and thus include conditions such as an acquisition ban (7 July).

Belgium

EU State Aid Approvals

A fourteenth measures consisting of aid in the form of direct grants up to a maximum of EUR 800,000 per company, to companies active in the social tourism sector in the Flemish Region. The total budget of the measure is EUR 6.35 million (9 July). The scheme was further amended to extend its period of application to 30 June 2021 (26 November).

A fifteenth measure consisting of a loan guarantee scheme to support SMEs in the context of the coronavirus outbreak. The budget of the scheme (EUR 10 billion) will be financed from the overall budget initially allocated for the second measure (14 July). The scheme has been amended to extend its period of application to 30 June 2021, and extend the maximum tenor of the loan and guarantee to 60 months (22 December).

A sixteenth measure consisting of aid in the form of direct grants up to a maximum of EUR 100,000 per company, to SMEs that are primary agricultural producers active in the potato and the floricultural sectors in Flanders. The total budget of the scheme is EUR 35 million (27 July). The scheme was amended to extend its period of application to 30 June 2021 (26 November).

A seventeenth measure consisting of aid in the form of repayable advances up to a maximum of EUR 800,000 per company, to undertakings active in the event sector in the Flemish Region. If the event is cancelled due to COVID-19 or government related restrictions, the repayable advances does not need to be repaid. The total budget is estimated at EUR 50 million (27 July). The scheme was amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021, to increase the overall budget to EUR 150 million and to increase the maximum amount of aid per beneficiary to EUR 1.8 million (26 March 2021).

A eighteenth measure consisting of a waiver for hotels, restaurants, bars and food trucks of the contributions to be paid for 2020 to the Federal Food Safety Agency. The total estimated budget is EUR 11 million (5 August). The scheme was amended to extend its period of application to 30 June 2021 (26 November).

A nineteenth measure consisting of a EUR 290 million aid measure to support SN Group, which is composed of SN Airholding and its sole subsidiary Brussels Airlines, in the context of the coronavirus outbreak. The aid measure consists of a EUR 287 million loan with subsidised interest rates and an equity injection of around EUR 3 million in the form of "profit sharing certificates" (21 August).

A twentieth measure consisting of aid in the form of direct grants to farmers/stockers active in the Walloon Region who have stock of ware potatoes. The maximum aid per beneficiary is limited to EUR 100,000 and the total estimated budget is EUR 10.5 million (23 September).

A twenty first measure consisting of aid in the form of direct grants and payment deferrals of certain costs and fees for Flemish airports. The total budget is EUR 2.2 million (29 September). The scheme was amended to extend its period of application to 30 June 2021 (26 November). The scheme has been further amended to extend its period of application to 31 December 2021 (26 March 2021).

Belgium

EU State Aid Approvals

A twenty second measure consisting of aid in the form of direct grants to undertakings active in the coach sector if they are registered in the Flemish Region and hold a license for special regular or occasional services. The maximum aid amount per beneficiary is EUR 800.000 and the total budget is estimated at EUR 5.1 million (6 October). The scheme was amended to extend its period of application to 30 June 2021 (26 November).

A twenty third measure consisting of aid in the form of direct grants to hotels and aparthotels in the Brussels Capital Region. The aid is EUR 1100 per room/housing unit (or EUR 20,000 if less than 18 rooms) and limited to EUR 200,000 per hotel/aparthotel and EUR 800,000 per undertaking. The total estimated budget is EUR 15.8 million (9 October). The scheme was amended to extend its period of application to 30 June 2021 (26 November).

A twenty fourth measure consisting of aid in the form of direct grants corresponding to the amount of social security contributions due by the employers between July and September 2020 in the following sectors: hospitality, culture, recreation and events, sports, holiday parks and campsites sectors, as well as travel agencies, tour operators and touristic information services (as well as some of their suppliers). The total budget is estimated at EUR 434 million (19 November)

A twenty fifth measure consisting of a direct grant to the University of Liège of up to 80% of the investment costs related to investments necessary for the production of COVID-19 relevant products, specifically diagnostic tools and necessary raw materials. The budget estimated is EUR 3.6 million (12 January 2021).

A twenty sixth measure consisting of aid in the form of direct grants for up to 50% of the investment costs (for a max amount of EUR 1.5 million) for investments in COVID-19 relevant products. Beneficiaries are undertakings active in the production of COVID-19 related products and which carry out an investment of at least EUR 50 000 in the Walloon region. The total budget is estimated at EUR 20 million (12 January 2021).

A twenty seventh measure consisting of aid in the form of direct grants to all companies registered in the Flemish region which experienced a turnover decline of at least 60% in the months of January and February 2021 (compared to the same period in 2020) or were subject to compulsory closure. Grant corresponds to 10% of the turnover of the reference period with a max. cap depending on the number of employees of the beneficiary. The total budget of the measure is estimated at EUR 200 million (29 January 2021). The scheme has been amended to also cover the months of March and April and to increase the budget to EUR 440 million (24 March 2021). The scheme has been further amended to also cover the months of May and June and to increase the budget to EUR 637 million (4 May 2021).

Belgium

EU State Aid Approvals

A twenty eight measure consisting of aid in the form of direct grants to all companies registered in the Flemish region which experienced a turnover decline of at least 60% in the period between April 2020 and 31 December 2020. Grant corresponds to 10% of the turnover of the reference period with a max. cap depending on the number of employees of the beneficiary and the turnover loss and in any event not exceeding EUR 2 million. The total budget of the measure is estimated at EUR 149 million (19 February 2021).

A twenty ninth measure consisting of aid in the form of interest free-loans and direct grants for tourism undertakings active in the Flemish region. The aid is aimed at supporting investments in health measures, ecological sustainability, digitalisation or professionalization worth at least EUR 5 000. The total estimated budget of the measure is EUR 34 million (22 February 2021).

A thirtieth measure consisting of direct grants to organisers of festivals in Flanders or the Brussels Region of which at least 60% takes place in open air. Beneficiaries are selected after an invitation for innovative projects and compensation covers 100% of the organising costs and 50% of the costs to limit COVID-19 related to the project with a maximum of EUR 500,000. Total estimated budget of the measure is EUR 10 million (11 March 2021).

A thirty first measure consisting of direct grants to pig farmers with breeding sows in the Walloon region. The public support will take the form of direct grants of up to EUR 100,000 per beneficiary, to partially address the loss of income they incurred due to the coronavirus outbreak. The total estimated budget is EUR 6.5 million (29 March 2021).

A thirty second measure consisting of aid in the form of subsidised interest rates for senior loans and subordinated loans to SMEs and large enterprises active in the Walloon region. The total estimated budget of the measure is EUR 200 million (30 March 2021).

A thirty third measure consisting of aid in the form of direct grants to hotels and other accommodation providers in Wallonia. The beneficiaries will receive a fixed amount calculated on the basis of accommodation units which in any event cannot exceed EUR 1.8 million per beneficiary. The total estimated budget of the measure is EUR 14.6 million (8 April 2021).

A thirty fourth measure consisting of aid in the form of direct grants to operators of tourism attractions in Wallonia. The beneficiaries will receive a fixed amount of aid based on number of days the attractions was mandatory closed and the average number of daily visitors in 2019. Maximum amount of aid per attraction is capped at EUR 200.000 (with a maximum of EUR 1.8 million per undertaking) and total estimated budget of the measure is EUR 1.3 million (9 April 2021)

Belgium

EU State Aid Approvals

A thirty fifth measure consisting of aid in the form of subsidised interest rate loans to companies operating in the Flemish Region. Companies of all sectors (except financial institutions) are eligible for loans up to EUR 750,000 at an interest rate of 1%. The total estimated budget of the measure is EUR 75 million (23 April 2021).

A thirty sixth measure consisting of aid in the form of direct grants to professional sports clubs in the Flemish-language region or in the region of Brussels-Capital and that have participated effectively in club competitions during the pandemic. The sport clubs can get a grant of maximum EUR 150,000 and the total estimated budget of the measure is EUR 2.5 million (29 April 2021).

A thirty seventh measure consisting of aid in the form of direct grants to SMEs with an establishment in the Walloon region which 2019 turnover included at least 20% of sales to undertakings which were mandatory closed until 1 February 2021 and have suffered a decline of turnover of at least 50% during any quarter/trimester between April 2020 and March 2021. The maximum aid per undertaking is limited to EUR 50,000 per quarter for which the conditions are fulfilled and total estimated budget is EUR 255 million (12 May 2021).

A thirty eight measure consisting of aid in the form of direct grants to SMEs active in the passengers transport sector registered in the Walloon Region. The aid corresponds to 5% of the purchase price of each vehicle that stopped operating and that was held by the beneficiary in March 2020. The maximum aid per undertaking is EUR 500,000 and the total estimated value of the measure is EUR 12.5 million (12 May 2021).

A thirty ninth measure consisting of aid in the form of direct grants to SMEs and self-employed registered in the Walloon Region active in certain sectors which have experienced a turnover decline of at least 50% in the first quarter of 2021 compared to first quarter of 2019. The maximum aid per undertaking is capped at EUR 75,000 and total estimated budget of the scheme is EUR 27.8 million (17 May 2021).

A fortieth measure consisting of support for the amount of EUR 392,000 to compensate the Waterloo 1815 Memorial concession holder for the losses suffered due to the coronavirus outbreak. The aid will take the following forms: (i) a deferral of the variable concession fee of 2019 (due in 2020) over a three year-period, at a 0% interest rate, (ii) a cancellation of the base concession fee of 2020, and (iii) a cancellation of the proportional concession fee for the activity generated by the restaurant for the year 2020. (18 May 2021).

Foreign Investment Restrictions

No new measures have been announced in specific response to COVID-19.

Debt

Debt moratorium for commercial credits

The Belgian federal government, the National Bank of Belgium and Febelfin (i.e., the association of the Belgian financial sector) have agreed on a debt moratorium for borrowers and credit facilities that comply with certain criteria. The conditions are set out in a charter.

What

A deferral of repayment of principal amounts of maximum six months by certain borrowers in respect of certain credit facilities.

Interest payments are not affected by the debt moratorium.

After the deferral period, the payment of principal will resume. The maturity of the credit will be extended by a period equal to the deferral period (i.e., which is maximum six months). The bank may not charge additional administrative costs for the implementation of the debt moratorium.

Eligible borrowers

In order to be eligible for such debt moratorium, a borrower must comply with each of the following criteria:

- it is a non-financial enterprise, small or middle size enterprise, self –employed or a non-profit organisation;
- it is permanently established in Belgium;
- it is facing payment difficulties because of the COVID-19 crisis, evidence of which can be easily provided if:
  - its revenues or activities have decreased or will decrease;
  - it has invoked in whole or in part temporary or full unemployment; or
  - the government ordered the closure of its business in the context of the measures against the COVID-19 virus.
- on 1 February 2020 it has not incurred payment arrears in respect of its outstanding credit facilities, tax or social security contributions or on 29 February 2020, it has not incurred payments arrears of more than 30 days in respect of its outstanding credit facilities, tax or social security contributions;

Debt

- and it has not been in breach of any of its contractual credit obligations towards any of its banks during the last twelve months prior to 31 January 2020 and it is not involved in an active credit restructuring.

Eligible credit facilities

The following credit facilities between an eligible borrower and a bank:

- credit facilities with a fixed repayment schedule;
- overdraft facilities;
- straight loans (*vaste voorschotten / avances à terme fixe*).

Factoring and leasing do not fall within the scope of application of the debt moratorium.

Application and duration of deferral period

Eligible borrowers who would like to make use of this debt moratorium should contact their bank.

If the request for the payment deferral is made before 30 April 2020, the payment deferral will end after a maximum period of six months until 31 October 2020.

If the request is made after 30 April 2020, the payment deferral will end on 31 October 2020 at the latest.

The Belgian federal government, the National Bank of Belgium and Febelfin also agreed on a similar debt moratorium for mortgage credits granted to natural persons.

Agreement on extension between the federal government and the financial sector

The Belgian federal government and the Belgian financial sector agreed on an extension of the debt moratorium until 31 December 2020.

A borrower who already received the benefit of a debt moratorium under the initial arrangement can ask for an extension of the debt moratorium until 31 December 2020 if the borrower still complies with the eligibility criteria set out above at the time of the extension request.

A borrower who requests for a debt moratorium for the first time can immediately obtain such debt moratorium until 31 December 2020 if it complies with the eligibility criteria. Such request should in any case be made before 20 September 2020.

Debt

Borrowers who wish to obtain an extension of their current debt moratorium should file their extension request:

- at the earliest 30 days, and at the latest 10 days, before the termination date of the initial debt moratorium if that initial debt moratorium ends on or before 30 September 2020; and
- between 1 September 2020 and 20 September 2020 if the initial debt moratorium ends after 30 September 2020 but on or before 31 October 2020.

The banks can agree to extend the term for filing the extension request, however such term may not end after 20 September 2020.

Agreement on a second extension of the debt moratorium

The Belgian government and the Belgian financial sector agreed on a second extension of the debt moratorium which is set out in a second charter. This second extension provides for a deferral of principal amounts until 31 March 2021 at the latest provided that the aggregate deferral period granted under the first charter (please see above) and the second charter does not exceed nine months.

Eligible borrowers

In order to be eligible for this second extension, a borrower must comply with each of the following criteria:

- it is a non-financial enterprise, small or middle size enterprise, self –employed or a non-profit organisation;
- it is permanently established in Belgium;
- it is facing payment difficulties because of the COVID-19 crisis, evidence of which can be easily provided if:
  - its revenues or activities have decreased or will decrease;
  - it has invoked in whole or in part temporary or full unemployment; or
  - the government ordered the closure of its business in the context of the measures against the COVID-19 virus.
- on 1 September 2020 it has not incurred payment arrears in respect of its outstanding credit facilities, tax or social security contributions or on 30 September 2020 it has not incurred payments arrears of more than 30 days in respect of its outstanding credit facilities, tax or social security contributions; and
- it has not been in breach of any of its contractual credit obligations towards any of its banks during the last twelve months prior to 31 August 2020 and it has not been involved in an active credit restructuring prior to 31 August 2020.

Debt

Eligible credits

These are the same credits that were eligible under the first charter.

An Eligible Borrower can only obtain the extension of the payment deferral for credits that have been granted prior to 1 April 2020.

An Eligible Borrower can only apply for a payment deferral under this second charter in respect of future principal repayments which fall due in January, February or March 2021.

Application

Any application for this payment deferral should be made at the latest on the date falling 10 calendar days before the maturity date of the relevant credit.

Federal State guarantee

The Belgian Royal Decree of 14 April 2020 implements a state guarantee scheme for certain credits that comply with certain conditions (a summary of which is set below). The state guarantee will be granted for a total aggregate amount of EUR 50 billion which will be divided over the eligible credit providers in accordance with the rules set out in the Royal Decree.

The state guarantee scheme automatically applies to all eligible credits that are granted to eligible borrowers by eligible credit institutions (i.e., the scheme is not an opt-in / opt-out arrangement pursuant to which the credit providers can choose which credits will benefit from the scope of application).

Eligible credits

All credits with a maximum maturity of 12 months (including credits granted for an indefinite duration which can be terminated by the credit provider during the first 12 months) granted by an eligible credit provider to an eligible borrower between 1 April 2020 and 31 December 2020, but excluding:

- refinancing credits;
- re-utilisations of credits granted before 1 April 2020;
- credits to be used exclusively for the financing of non-Belgian activities;

Debt

- credits that have been de-selected by the credit provider from the scope of application of the guarantee scheme (under certain conditions);
- leasing agreements;
- factoring agreements; and
- consumer credits.

Credits facilities granted in the context of a syndicated facility or a club deal may also fall within the scope of application of the guarantee scheme under certain conditions.

The credits may only be used to finance Belgian activities or certain qualifying foreign activities (subject to certain limits and conditions).

Eligible credit provider

Belgian credit institutions and Belgian branches of non-Belgian credit institutions which granted credits in respect of which an aggregate principal amount of at least EUR 20,000 was outstanding on 31 December 2019.

Eligible borrower

Each non-financial enterprise (as defined in the Royal Decree) which complies with the following conditions:

- it is registered with the Belgian Crossroads Bank for Enterprises;
- on 1 February 2020 it has not incurred payment arrears in respect of its outstanding credit facilities, tax or social security contributions or on 29 February 2020, it has not incurred payments arrears of more than 30 days in respect of its outstanding credit facilities, tax or social security contributions;
- on 31 January 2020 it was not involved in an active debt restructuring with one or more credit institutions; and
- on the basis of the available information it is not an enterprise in difficulties (as defined in the Royal Decree).

Debt

Maximum guaranteed amount

Credits that fall within the scope of application are only guaranteed by the federal government guarantee scheme arrangement up to a maximum guaranteed amount determined in the Royal Decree which shall in any case not be higher than an amount equal the lower of (i) EUR 50,000,000 (although the borrower can request the government to allow for a higher amount under certain conditions) and (ii) the higher of:

A. the forecasted liquidity needs of the Borrower for a period as set out in the Royal Decree and as calculated in accordance with the Royal Decree.
B. two times the amount of the annual total salary costs of the most recent completed financial year of the Borrower as calculated in accordance with the Royal Decree and
C. 25 percent of the revenues the most recent completed financial year of the Borrower.

The maximum guaranteed amounts apply on a group basis.

The principals amounts of any credits which have been granted to any member of the group under the Royal Decree of 20 July 2020 will be deducted when calculating the maximum guaranteed amount.

Maximum guarantee interest and guarantee fees

The maximum guaranteed interest is 1.25% per annum (and credit providers may not charge a higher interest), and the maximum guaranteed guarantee fee is 25 bps per annum for SMEs (as defined in the Royal Decree) and 50 bps per annum for other enterprises.

Other conditions

The borrowers and banks will also have to comply with certain undertakings set out in the Royal Decree in order to be able to benefit from the federal government guarantee.

Loss sharing

Upon expiration of the guarantee arrangement, the Belgian financial sector and the banks will evaluate the loss incurred in respect of the credits which benefited from the guarantee arrangement. It is important to note that the loss will not be calculated on the basis of each individual credit but on the portfolio of credits granted by the relevant bank that fall within the scope of application of the federal government guarantee scheme.

Belgium

Debt

The loss on the portfolio of the relevant bank will be divided by the Federal State and the bank in accordance with the following principles:

- if the loss between 0% and 3%, 100% of the loss will be borne by the bank;
- if the loss is between 3% and 5%, the Belgian federal state will bear 50% of the loss and the bank will bear the other 50%, and
- if the loss is 5% and 100%, 80% of the loss will be borne by the federal state, the other 20% will be borne by the relevant bank.

Separate federal state guarantee scheme

A new guarantee scheme has been adopted by the act of 20 July 2020 for credits granted to small and middle – sized enterprises (as defined in the relevant act) with a maturity of at least 12 months and a maximum maturity of 36 months has been adopted which is a separate from the guarantee mechanism described above.

In the context of the continued COVID-19 measures, the Belgian government has decided to extend the SME federal state guarantee scheme to 30 June 2021 and the maturity of the credits to five years.

New government support measures

Early November 2020, the Belgian federal government announced that it will introduce a broad range of support measures in the context of the COVID-19 crisis. These measures will include an extension of the federal state guarantee scheme for small and middle – sized enterprises until 30 June 2021 and an extension of the debt moratorium for commercial credits. However, the details of these measures are still to be announced.

Other government support measures

Several regional governments have also taken measures in order to provide financial support to companies that are facing difficulties because of the COVID-19 crisis. However, the majority of these measures aim to provide support to small and middle – sized enterprises. For large enterprises, it is worth noting that in Flanders PMV - Gigarant provides for additional solutions in respect of the Corona-crisis.

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt and Taxation sections above. There are currently no insolvency measures in place dealing with the negative consequences of COVID-19, however, several legislative proposals have been submitted to Belgian parliament dealing with the negative consequences of COVID-19 on Belgian enterprises.

Belgium

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

- Filing of tax returns: For companies with a fiscal year end as from October 1, 2019 through 30 December 2019 the filing deadline has been extended from 6 months to 7 months as from the first day of the month following their fiscal year end.
- Payment of the CIT: An additional period of 2 months is granted for the payment of CIT, non-residents' tax and legal entities' tax on top of the normal payment period. The latter measure is applicable with respect to tax assessments issued as of 12 March 2020.
- Tax prepayments: Provided that certain conditions are met (no links with/payments to tax havens and no equity distributions) the tax credits that companies can obtain for prepayments made during the third and fourth quarter of 2020 have been increased from 6% to 6.75% and from 4.5% to 5.25%
- Carry back of losses: the Commission of Finance of the Belgian Parliament adopted a Bill of law on 15 June 2020 to increase both the liquidity and solvability position of enterprises (subject to certain conditions being met). The bill allows for a one-off carry back of tax losses for corporate taxpayers and individual entrepreneurs, meaning that the estimated tax losses for the current COVID-19 period (i.e., tax year 2020 or tax year 2021 for financial years that follow the calendar year) can be imputed against the taxable profit of the previous taxable period. Specific conditions and exceptions apply. The Bill will now be submitted to the Plenary Meeting of the Parliament.
- Reconstitution reserve (envisaged): This measure was initially included in the draft bill mentioned above but was not yet adopted by Parliament. It is currently unclear whether it will be adopted at a later stage. This measure would allow corporate taxpayers to reduce part of their taxable profit in the tax years 2022, 2023 or 2024 (or tax years 2023, 2024, or 2025 for financial years that follow the calendar year) by creating a tax free reconstitution reserve corresponding to the amount of losses they have incurred in tax year 2020 (or tax year 2021 for financial years that follow the calendar year). Specific conditions and exceptions would apply.

Taxation

Social security / Employment / Wage taxes / Personal Income Tax

Payroll tax: Extension of the deadline for payment related to March 2020 or related to the first quarter of 2020 was extended to 15 June 2020 and the deadline for payment of the payroll tax due related to April 2020 is extended to 15 July 2020. Moreover, the payroll tax due on legal employment benefits granted from 1 May 2020 until 31 December 2020 is reduced from 26.75% to 15%.

Social security: Employers facing difficulties paying their social security contributions due for the first and second quarter of 2020 can request an instalment plan. The possibility of obtaining such an instalment plan is not a measure specifically introduced in the framework of COVID-19, but it is explicitly confirmed that COVID-19 is a factor that allows employers to obtain such a measure. Moreover, employers can in certain circumstances obtain an extension of the deadlines for paying social security contributions due for the first and second quarter of 2020 without any late payment interest being due. If applicable, the payment deadline is extended until 15 December 2020. When an employer was not forced to close its company by the Government, such extension can only be requested by the employer if it sees its economic activity decrease significantly for the second quarter of 2020. Otherwise, the measure is applicable automatically. Self-employed persons can request a deferral of the payment deadline of their social security contributions for the first and second quarter of 2020 with one year. Such request can be made until 15 June 2020.

Personal income tax: A period of 2 months is granted for the payment of personal income tax, on top of the normal payment period. However, no extension of the deadline to file the personal income tax return for assessment year 2020 has been foreseen.

VAT

- The filing deadline for VAT returns/intra-community statements due for April 2020 is extended to 5 June 2020. The filing deadline for VAT returns/Intra-community statements due for May 2020 is not extended and these should hence be filed by 20 June 2020.
- The payment deadline for the VAT due for March 2020 (and for the first quarter of 2020 in case the taxpayer only has to file a VAT return quarterly) is extended to June 20, 2020 and the payment deadline for the VAT due for April 2020 is extended to July 20, 2020. The payment deadline for VAT due for May 2020 is not extended however (i.e., deadline is June 20, 2020), as a result of which the payment of VAT due for May is due prior to the VAT for April being due.

Taxation

There are temporary measures to apply the reduced VAT rate of 6 % in specific cases:

i. Restaurant and catering services are subject to the reduced VAT rate of 6 % instead of 12% (in the period between 8 June 2020 and 31 December 2020). It also applies when only beverages are served. However, the alcoholic beverage do not benefit from this measure and will still be subject to the normal VAT rate of 21%;

ii. The supply, intra-Community acquisition and import of mouth caps and hydro alcoholic gels are subject to the reduced VAT rate of 6% (in the period between 4 May and 31 December 2020).

Excise / Import duties

The deadline for payment of excise duties and packaging levies on alcohol and on alcoholic and non-alcoholic beverages has been extended. For taxpayers who hold a credit account, the payment term of 1 week has automatically been extended to 4 weeks. For taxpayers who do not hold a credit account, the deadline for filing the AC4 returns and hence the payment of the excise duties/packaging levies due is extended from the Thursday of the week following the putting into consumption to the Thursday of the 4th week.

Other taxes

Tourist Tax

Kortrijk and Blankenberge have confirmed not to levy tourist tax for the first half of 2020. Antwerp has confirmed that it will not levy any tourist tax for the second quarter of 2020. Some other cities (such as Ghent, Bruges and Liège) have decided to postpone payment and/or issuing tax assessments of all taxes (including tourist tax). Many other cities currently seem to consider to take such measures as well (e.g., Leuven).

Brussels region: a waiver for the city tax (lump sum tax of 0.09 EUR per night per room used by a tourist) will be granted for the first semester of 2020.

Taxation

Comments

Several other tax measures are adopted with respect to payment arrangements: regarding outstanding debts:

1. instalment payment plan: In case such an instalment payment plan is granted, no late payment interest will in principle be due if the latter is also requested by the taxpayer in question (see support measure (2i) below) which is an important difference with respect to 'normal' instalment payment plans);
2. an exemption from late payment interest. Such measure can be requested individually or together with the request for an instalment payment plan to avoid that late payment interest would be due in case such an instalment payment plan is obtained;
3. a waiver of fines relating to non-payment of taxes.

These measures can be requested with respect to the following taxes (i) payroll taxes, (ii) VAT, (iii) corporate income tax, (iv) personal income tax and (v) legal entity tax. The company requesting these measures must show proof that the company is experiencing financial difficulties as a result of COVID-19. To this end, the request will have to be justified by way of a short explanation of the impact of COVID-19 and be supplemented by any relevant supporting documents.

- The request for (one or more) of the support measures has to be filed by submitting a form by e-mail or letter to the competent Regional Tax Collector prior to 30 June 2020. More particularly, one form has to be submitted per tax debt for which one or more of the support measures is requested. The relevant form and contact details of the competent Regional Tax Collector can be found on the website of the Federal Public Service Finance. Initially it was stated that the request had to be submitted by 30 June 2020. In the meantime, this deadline was reported until 31 December 2020.

To read more about this topic, please see this alert:

Transfer pricing in and beyond COVID-19 times - impact on intercompany royalties

Belgian law introducing one-off loss carry-back regime published in the Official Journal

Czech Republic

EU State Aid Approvals

A first measure consisting of a direct grant scheme aimed to support investments by SMEs in the production of coronavirus-relevant products such as medicines, medical equipment and protective clothing. The total estimated budget is EUR 37 million (14 April). The scheme has been amended to extend the period of application to 30 June 2021 (16 December).

A second measure with a total estimated budget of EUR 5.2 billion consisting of a loan guarantee scheme on new and existing working capital loans and new investment loans for large companies with a share of exports of goods and services of at least 20% of their annual sales revenues in 2019 and for their suppliers (5 May). The scheme has been amended to extend its period of application to 30 June 2021 and to increase the guarantee coverage to 6 years and 90% of the underlying loan (23 December). The scheme has been further amended to extend the period of application to 31 December 2021 (5 March 2021). The measure has been further amended to open up the scheme to companies active in the accommodation sector (29 March 2021).

A third measure with a total budget of EUR 7.2 million consisting of direct grants covering 75% of eligible costs related to R&D activities relevant to combat COVID-19 (7 May). The scheme has been amended to extend the period of application to 30 June 2021 (16 December).

A fourth measure consisting of aid in the form of State guarantees for new working capital loans for a maximum amount of EUR 1.9 million to undertakings with up to 500 employees. The total estimated budget of the scheme is EUR 18.5 billion (15 May). The scheme has been amended to extend the period of application to 30 June 2021 (16 December). The scheme has been further amended to extend the period of application to 31 December 2021 (5 March 2021).

A fifth measure consisting of aid in the form of direct grants to support retail businesses and service companies renting premises that were obliged to suspend their operations during the COVID-19 outbreak. The direct grants will amount to 50% of the original rent or lease due (80% in case premises are State owned) for the months of April, May and June 2020, with a maximum of +/- EUR 370,000.The estimated budget is EUR 184.3 million (2 June).

A sixth measure consisting of a scheme to support SMEs active in the primary agricultural sector affected by the coronavirus outbreak in the form of direct grants. The aid is specifically intended to partially reduce the outstanding amounts of operating bank loans to these SMEs and will cover up to 50% of the unpaid loan amount, up to a maximum of EUR 5,500. The total estimated budget is EUR 36.3 million (3 June).

A seventh measure consisting of aid in the form of direct grants to micro-enterprises active in the manufacturing sector and to undertakings of all sizes active in the tourism sector, established in the Moravia-Silezia region. Aid can be granted up to a maximum of EUR 800,000 per undertaking and the total estimated budget is EUR 2.6 million (26 June).

Czech Republic

EU State Aid Approvals

An eight measure consisting of three schemes in the form of direct grants resulting from reduction of pension and State employment scheme contributions and waiver of late payment penalties (scheme 1 and 2), and payment deferrals for the same contributions (scheme 3). The beneficiaries are self-employed persons and the total budget is estimated at EUR 551 million (6 July). The scheme has been amended to extend the period of application to 30 June 2021 (16 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A ninth measure providing aid in the form of direct grants for all enterprises active in the primary agricultural production sector (farmers) and to food and feed producers that suffered a decrease in total earnings of at least 25%, compared to the same period in 2019. The total estimated budget is EUR 370 million (7 July).

A tenth measure providing direct grants to non-profit sport organisations that own or operate sports infrastructures and were unable to make use of these infrastructures in the context of the coronavirus outbreak. The estimated budget is EUR 37.6 million (22 July 2020).

An eleventh measure consisting of wage subsidies up to 60% or 80% of the wage costs incurred between 12 March and 31 August 2020 for all undertakings who employ personnel with the exception of employers whose wage costs are covered from public budgets, that had to close or scale down operations due to COVID-19. The total budget is estimated at EUR 866.4 million (27 July). The measure has been amended to extend the period of wage costs covered to 28 February 2021, to exclude from its beneficiaries the companies that can benefit from the wage subsidy measure approved on 12 January 2021 (see below measure 24) and to increase the overall budget to EUR 970 million (12 January 2021).

A twelfth measure consisting of direct grants up to a maximum of EUR 800,000 to providers of SPA medical procedures and curative rehabilitation treatments. The compensation is aimed to compensate the companies for the discounts offered to their customers. The total budget is EUR 38 million (7 August). The scheme has been amended to extend the period of application to 30 June 2021 (16 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (9 March 2021).

A thirteenth measure in the form of direct grants to support cultural events' operators affected from the coronavirus outbreak. The estimated budget is EUR 34 million, whereas no more than EUR 800,000 per company can be granted (19 August). The scheme has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A fourteenth measure consisting of direct grants to SMEs and large enterprises facing liquidity problems due to COVID-19 to support employee training, childcare facilities and wage subventions for employers hiring disadvantaged or unemployed persons.

Czech Republic

EU State Aid Approvals

The estimated budget is EUR 96 million, whereas no more than EUR 800,000 per company can be granted (24 August). The scheme has been amended to extend the period of application to 30 June 2021 (16 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A fifteenth measure consisting of direct grants to companies active in the provision of holiday accommodation. The grants are calculated on the basis of a fixed amount per room and per day the accommodation needed to close due to COVID-19 measures, with a maximum of EUR 800,000 per company. The total estimated budget is EUR 127 million (27 August). The scheme has been amended to extend the period of application to 30 June 2021 (16 December).

A sixteenth measure consisting of aid in the form of payment advantages and deferrals related to the public health insurance contribution for self-employed persons. The max. amount of aid per beneficiary may not exceed EUR 800,000 and the total estimated budget of the measure is EUR 305 mllion (8 September). The scheme has been amended to extend the period of application to 30 June 2021 (16 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A seventeenth measure consisting of the creation of an investment fund (IPO fund) that may acquire 30% of initial public offerings (IPOs) launched by SMEs through a multilateral trading platform. The Czech government will put EUR 12.5 million in the fund. The Commission decided that the measure does not contain State aid (8 October).

An eighteenth measure consisting of direct grants to spa rehabilitation care facilities active in the Karlovy Vary region. Maximum grants are EUR 800,000 and based on lump sum payments for each bed of the spa facility. The total estimated budget is EUR 2.27 million (21 October). The scheme has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A nineteenth measure consisting of aid in the form of direct grant which amount to 50% of the original rent due for the months of July, August and September 2020, to be paid by those businesses that have been closed down during the second wave. The grant under the measure will be allowed up to a maximum of approx. EUR 368,3515 per beneficiary. The total budget is estimated at EUR 110 million (30 October). The scheme has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A twentieth measure consisting of aid in the form of direct grants to companies active in the sectors of primary production of agriculture goods or food processing who have suffered a decrease of at least 25% of total earnings compared to the same period in 2019. Max. aid per beneficiary is capped at EUR 800,000 (EUR 100,000 for companies active in primary production of agriculture products). The total budget is estimated at EUR 110 million (11 November).

Czech Republic

EU State Aid Approvals

A twenty first measure consisting of aid in the form of direct grants, rent reductions, rent deferrals, remission of fees and interest on arrears in connection with the lease agreements with the city of Pilsen. The aid is available to all undertakings in the City of Pilsen. The total budget is estimated at EUR 7.45 million (13 November).

A twenty second measure consisting of aid in the form of direct grants to undertakings which are organising, facilitating or providing cultural events or are carrying out continuous activities in the cultural sector in Czechia. Aid is limited to maximum EUR 800,000 per beneficiary and total budget of the scheme is estimated at EUR 28.4 million (25 November). The scheme has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A twenty third measure consisting of two schemes providing aid in the form of direct grants to non-profit and profit sport entities participating in the professional sport leagues in the Czech Republic (as selected by the National Sport Agency), as well as to undertakings organizing or co-organising sport events that were planned for 2020. The maximum aid per beneficiary cannot exceed EUR 800,000 and the total budget of both measures is estimated at EUR 20.75 million (22 December).

A twenty fourth measure consisting of direct grants to cover 100% of the wage costs incurred between 1 October 2020 and 28 February 2021 up to a max. of EUR 800,000 for all undertakings who employ personnel with the exception of employers whose wage costs are covered from public budgets, that had to close or scale down operations due to government imposed restrictions. The total budget is estimated at EUR 160 million (12 January 2021).

A twenty fifth measure consisting of direct grants to companies whose sale of goods and/or services was restricted or banned at least in part of the period from 9 October 2020 to 10 January 2021 by competent Czech authorities in response to the COVID-19 outbreak. Aid is calculated based on a fixed amount per employee per day closed and cannot exceed EUR 800,000 per company. The total estimates budget of the measure is EUR 230 million (27 January 2021). The scheme has been amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid to EUR 1.8 million (5 March 2021).

A twenty sixth measure consisting of aid in the form of direct grants to self-employed persons and partners of small limited liability companies to compensate them for revenue loss during the period of 12 March to 8 June and from 5 October to the end of the State of Emergency. Maximum aid to the same beneficiary is limited to EUR 1.8 million and the total estimated budget is EUR 1.25 billion (12 February 2021).

A twenty seventh measure consisting of aid in the form of direct grants corresponding to 50% of the rent charges of companies that were obliged to close or limit their activities following government measures taken in combatting the second wave of COVID-19. The total estimated budget of the measure is EUR 115 million (23 February 2021).

Czech Republic

EU State Aid Approvals

A twenty eight measure consisting of aid in the form of direct grants to enterprises active in the primary agricultural production sector (farmers) and to food producers. The maximum aid amount will not exceed EUR 225,000 per company active in the primary production of agricultural sector or EUR 1.8 million per company active in food production. The total estimated budget of the measure is EUR 110 million (1 March 2021).

A twenty ninth measure consisting of aid in the form of direct grants to companies engaged in operating ski resorts (operation of ski lifts, cable cars and ski slopes). The maximum amount of aid per company is limited to EU 1.8 million and is calculated on the basis of number of lift seats operated but cannot exceed 50% of the operating costs for the period for which the compensation is requested. The total estimated budget of the measure is EUR 38.5 million (5 March 2021).

A thirtieth measure consisting of aid in the form of direct grants to large tour operators selling package tours in Czechia. The amount of aid is calculated on the basis of the tour operator's contribution to the Czech Travel Guarantee Fund in 2020 and is capped at EUR 1.8 million per beneficiary. The total estimated budget of the measure is EUR 2.9 million (19 March 2021).

A thirty first measure consisting of aid in the form of direct grants to all undertakings, irrespective of their size, that provide services related to exhibitions, fairs, conferences and business events. The measure aims to compensate part of the uncovered fixed costs for those companies that suffered a decline in turnover of at least 30% for the period between 1 March an 31 October 2020. The maximum aid amount per beneficiary is limited at EUR 10 million and total estimated budget is EUR 22.8 million (29 March 2021).

A thirty second measure consisting of aid in the form of guarantees on loans. The measure is open for SMEs and large enterprises in a number of listed sectors. The total estimated budget of the measure is EUR 5.8 billion (29 March 2021).

A thirty third measure consisting of aid in the form of direct grants to operators offering accommodation services. The direct grants will be a fixed amount per room and per day, for the period during which the accommodation facilities are closed, between 22 October 2020 and 31 December 2021. The total budget is estimated at EUR 268 million (6 April 2021).

A thirty fourth measure consisting of aid in the form of direct grants to cover part of the uncovered fixed costs. The measure is open to companies of all sectors (excluding financial institutions) having experienced a turnover decline of at least 30% over the reference period that will be specified in the call procedures. Maximum aid per beneficiary is capped at EUR 10 million and the total estimated budget of the measure is EUR 1.9 billion (26 April 2021).

Czech Republic

EU State Aid Approvals

A thirty fifth measure consisting of aid in the form of direct grants, guarantees or loans to undertakings of all sizes which have experienced a decline of turnover between 25 to 50% compared to the same period in 2019. The aim is to cover costs incurred during the period from 1 February 2020 to 31 December 2021. The maximum nominal amount of the grant, guarantee or loan is EUR 1.8 million and the total estimated budget of the scheme is EUR 1.908 billion (10 May 2021).

A thirty sixth measure consisting of aid in the form of guarantees to travel agents. The aid takes the form of bank guarantee in the amount of 75% of the 30% of the maximum sum insured (insurance indemnity) under a mandatory insolvency insurance . The maximum amount of the guarantee is approximately EUR 154,679 per beneficiary and the total estimated budget of the measure is EUR 11.6 million (10 May 2021).

A thirty seventh measure consisting of aid in the form of direct grants to self-employed persons and undertakings active in the audiovisual sector. The maximum amount of aid for self-employed is approx. EUR 2,400 and for undertaking approx. EUR 195,000. The total estimated budget of the measure is EUR 7.8 million (27 May 2021).

Foreign Investment Restrictions

No specific screening procedure has been adopted in response to the current situation.

Czech Republic

Debt

Debt moratorium

Czech Government has proposed a bill allowing debtors to request deferral of loan repayments. The bill applies to loans concluded before 26 March 2020.

The moratorium will last to 31 October 2020, and will apply: (a) in case of natural persons, to both payment of an interest and repayment of a principal; and (b) in case of legal persons, to repayment of principal only. Lenders will not charge fees for such interruptions.

The borrower must declare he was negatively affected by COVID-19 pandemic. Moreover, the borrower will not qualify for the moratorium if the borrower is more than 30 days overdue on the loan.

Moratorium will not apply to selected types of loans, in particular to revolving loans (including credit cards and overdrafts), loans connected with trading on the capital markets or financial leases without possibility for the lessee to acquire ownership of the asset.

In case of natural persons, the interest is suspended for the duration of moratorium and will accrue at the end of the loan term. In case of legal persons, the interest is not suspended. The bill is yet to be ratified by the Parliament and entered into law.

Restructuring & Insolvency

The law implementing COVID-19 related changes in the insolvency proceedings entered into force on 24 April 2020.

The respective law stipulates in particular:

- Suspension of debtors' obligation to file an insolvency petition;
- Suspension of creditors' right to file an insolvency petition;
- Prolongation of periods for challenging the effectiveness of legal acts; and
- Possibility of extraordinary moratorium.

To read more about this topic, please see this alert: COVID-19 – Insolvency Reform in the Czech Republic

Czech Republic

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

No fine or interest for late tax return if the tax return is filed and the respective payment is done by 3 May 2021 (generally) or by 1 June 2021 (in case the tax return is filed electronically, by a tax advisor or in case the tax payer must have its financial statements audited).

Loss Carry-back - option to deduct the legally determined tax loss from the tax base retrospectively, in 2 tax periods immediately preceding the tax period or the period for which the tax return is filed, for which the tax loss is determined.

Social security / Employment / Wage taxes / Personal Income Tax

There are currently no special measures in this regard.

VAT

Remission of interest for late VAT payment for the period from September 2020 to March 2021 (in case of monthly payers) and 3rd and 4th quarter of 2020 and 1st quarter of 2021 (for quarterly payers) for tax payers performing mostly activity which was banned or limited by governmental regulation in relation to COVID-19 epidemic (provided that they notified this fact to the tax office), if the respective payment is done by 16 August 2021.

No fine or interest for late filing of the VAT return and VAT payment for February 2021(in case of monthly payers) if the respective payment is done by 15 April 2021. The same applies to additional VAT return.

Supply of listed goods (general protective equipment) in the period from 3 February 2021 to 3 June 2021 is not subject to VAT.

Supply of listed goods (in vitro diagnostic medical devices for COVID-19 testing and vaccines against COVID-19 approved by EU or registered pursuant to applicable Czech laws) in the period from 16 December 2020 to 31 December 2022 is not subject to VAT.

Czech Republic

Taxation

Excise / Import duties

Remission of fees charged for applications for decrease/remission of late payment interest (assessed due to a late payment of customs) submitted within 16 March 2020 and 16 August 2021.

To recollect the already paid excise tax on beer, the distributor can apply for a conditional tax exemption for beer that is designated for disposal or reprocessing (since it could not have been sold due to governmental restrictions).

Other taxes

Postponing the deadline to pay the road tax and file the real estate tax return until 1 April 2021.

Remission of interest for late road tax payment for 2020 for tax payers performing activity which was banned or limited by governmental regulation in relation to COVID-19 epidemic (provided that they notified this fact to the tax office), if the respective payment is done by 16 August 2021. The advance on road tax for 2021 is remised for these tax payers as well.

Comments

It is also possible to use general instruments provided by Tax Code, e.g. apply for approval of later tax payment, payment in instalments, individual remission of tax appurtenances, remission of penalty.

Further measures may be announced for the future still.

Egypt

Foreign Investment Restrictions	There is no foreign investment review regime.
Debt	The Egyptian government has gradually announced a stimulus package which includes the following: ▪ EGP 100 billion (approximately USD 6.3 billion) of soft loans provided by the Central Bank of Egypt ("CBE") at a 5% interest rate for the manufacturing sector. ▪ Real estate tax exemptions for 3 months. ▪ Unfreeze bank accounts of defaulting investment against payment of 10% of their due debts. ▪ Civil aviation sector will be offered a bail-out package. ▪ Tourism sector will be offered EGP 50 billion (approximately USD 3 billion) soft loans. ▪ Reduction in energy prices for industrial sector. ▪ Allocation of EGP 20 billion (approximately USD 1.3 billion) as support package for the Egyptian Stock Exchange through direct investments by newly set up funds by CBE. ▪ Allocation of EGP 3 billion (approximately USD 190 million) as support package for the Egyptian Stock Exchange through direct investments by newly set up funds by the National Bank of Egypt and Banque Misr (largest State owned banks). ▪ Allocation of EGP 400 million (approximately USD 25 million) as support package for the Egyptian Stock Exchange through direct investments by newly set up funds by the Investor Protection Fund. ▪ Reduce stamp tax on equity trading and deferring entry into force of capital gain tax on traded equity. ▪ Reduce dividend tax to 5%.

Egypt

Debt

The International Monetary Fund has approved a $2.77 billion loan to Egypt under the Rapid Financing Instrument (RFI). The loan is intended to help support and stabilize the Egyptian economy, which has been affected by severe disruptions as a consequence of the COVID-19 pandemic, in particular to alleviate some of the most critical spending needs including spending on health, social protection and providing further support to the sectors which have been significantly impacted, as well as, providing support to vulnerable groups.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

The 2019 Corporate Income Tax liability for companies operating in specific sectors can be paid by installments until 30 June 2020 without late payment interest. This move is aimed to help businesses badly hit by the economic disruption caused by the novel coronavirus (COVID-19) outbreak.

On 27 April 2020, the Egyptian tax authority (ETA) issued its instructions (47) of 2020, including:

ETA approved the payment of corporate income tax of 2019 by installments for the following sectors:

- The Aviation companies;
- The tourism and antiquities sector (including its cafes, restaurants);
- The Hotels and other touristic establishments;
- The press and media sector;
- The manufacturing sector (especially export companies), excludes food, healthcare, medical supplies, sanitizers;
- The Transport companies and auto distributers;
- The Hospitals sector;

Egypt

Taxation

- The construction sector;
- The Communications and Information Technology Sector , excludes the network carriers excludes Companies licensed to establish operating and managing a public network for telecommunications and internet services, whether fixed or mobile;
- The sports sector (Companies operating in the sports sector and sports services)
- The income tax due for the 2019 corporate tax return will be paid by installments for the companies working in the most affected sectors by the COVID-19 outbreak as follows:
- 20% of the due income tax in April 2020;
- 30% of the due income tax in May 2020;
- remaining 50% will be paid before the end of June 2020 without any fines or late payment interest.

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

There are no changes in the process in Egypt because according to the Minister of Finance Decree No. 643 of 2019 all Corporate taxpayers will be required to submit their Income Tax Returns, Withholding Tax forms, salary tax forms and Value Added Tax Returns electronically (through the Egyptian tax Authority (ETA's) website.

Excise / Import duties

N/A

Other taxes

There are no changes in the process.

Comments

N/A

EU State Aid Approvals

Three schemes expected to mobilise more than EUR 300 billion. Two schemes enabling the French public investment bank BpiFrance to provide State guarantees on commercial loans and credit lines for enterprises with up to 5,000 employees. A third scheme to provide State guarantees to banks on portfolios of new loans for all types of companies (21 March). The measure has been amended to include guarantees for factoring agreements (28 July). The schemes have been further amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July). The third scheme (State guarantees) has been amended a third time to increase the maximum amount of the loan that can be guaranteed in case the company is active in the production chain for aircrafts (8 September). The schemes have been further amended to extend the period of application until 30 June 2021 (9 December). Further technical amendments to the third and fourth scheme have been approved (12 January 2021). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021). The scheme has been amended again to introduce certain changes in calculating the maximum guaranteed loan amount for certain sectors (2 June 2021).

A fourth scheme covering direct grants to small and micro-enterprises (maximum of 10 employees and a yearly turnover not exceeding EUR 1 million), as well as self-employed people affected by the coronavirus. Under the scheme companies are entitled to a maximum grant of EUR 3,500 each if their business was closed by administrative decision as a result of the coronavirus outbreak, or their monthly turnover in March 2020 dropped by 70% compared to their turnover in the same period last year. (28 March) An amendment to this scheme has been approved increasing the maximum rang to EUR 8,000 and lowering the eligibility criterion to a drop of turnover by 50% compared to same period last year (15 April)

A fifth scheme consisting in a deferral payment scheme of certain aeronautical taxes to compensate damages suffered by airlines due to the coronavirus outbreak. The scheme will be accessible to airlines with an operating licence in France, and will offer them the possibility to defer the payment of certain taxes that would in principle be due between March and December 2020 to after 1 January 2021, and to pay the taxes over a period of up to 24 months. (31 March)

A sixth scheme consisting in a guarantee scheme to support the domestic credit insurance market in the context of the coronavirus outbreak. The scheme aims to ensure that trade credit insurance continues to be available to all companies, avoiding the need for buyers of goods or services to pay in advance, therefore reducing their immediate liquidity needs. The total estimated budget is EUR 10 billion (12 April)

A seventh measure consisting of a French "umbrella" scheme to support small and medium-sized enterprises (SMEs) and large corporates in France affected by the coronavirus outbreak. The aid can take the form of direct grants (grants, repayable advances, zero interest loans and equity), guarantees and subsidised interest rate loans provided directly by the State or indirectly through credit institutions. After amendment the aid can now also take the form of tax or social contribution advantages. The total estimated budget has been increased to EUR 50 billion. (20 April - 20 May). The measures has been further amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July).

France

EU State Aid Approvals

The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

An eighth measure consisting of an aid scheme providing guarantees on operating loans for SMEs and Midcaps with turnover not exceeding EUR 1.5 billion who generate a considerable part of their turnover through export. Total budget estimated at EUR 150 million (24 April). The measures has been amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July). The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A ninth measure consisting of a EUR 5 billion loan guarantee by France to the Renault group to mitigate economic impact of coronavirus outbreak (29 April).

A tenth measure consisting of a EUR 7 billion State guarantee on loans and a shareholder loan to Air France to provide urgent liquidity to the company in the context of the coronavirus outbreak (5 May).

An eleventh measure consisting of a State guarantee scheme to support exporting undertakings, whose turnover is less than EUR 1.5 billion, and for which 20% of the added value of its exported products is realized in France. The estimated guaranteed amount to be covered is EUR 200 million (11 May). The measures has been amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July). The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A twelfth measure consisting of a loan guarantee to automotive supplier Novares. The estimated budget is EUR 71 million (26 May).

A thirteenth measure consisting of an umbrella scheme which comprises three submeasures which will support: (i) COVID-19 relevant research and development ("R&D") projects; (ii) construction and upgrade of testing facilities; and (iii) investments in production of COVID-19 relevant products and technologies. The aid will be granted in the form of direct grants, repayable advances and tax advantages. For the second and third sub-measure a loss cover guarantee, which may be granted in addition to the direct grant, tax advantage or repayable advance, or as an independent aid, can be granted as well. The estimated budget is EUR 5 billion (5 June). The measures has been amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July). The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

EU State Aid Approvals

A fourteenth measure consisting of aid in the form of direct grants to employers for wage subsidies to temporary unemployed employees. The employers have to be active in a number of listed sectors (hotels, restaurants, passenger transport services, etc.). The total estimated budget is EUR 207 million (29 June). The measure has been amended to increase the level of support to 70% of the wage costs and this for all companies active in Mayotte and Guyane region (30 July). The measure has been further amended to extend its duration to 31 October 2020, and after amendments to the level of wage subsidies to 31 December 2020 (24 September). The measure has been amended a third and fourth time extending the duration until 31 May 2021 and adding an additional wage support scheme (9 and 15 October). The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). A further amendment to the scheme limits the higher subsidy rate to certain geographic areas or certain sectors affected by local lockdown measures (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A fifteenth measure consisting of aid in the form of subordinated loans at favourable interests rates to companies of all sizes (excluding financial institutions and undertakings already in difficulty on 31 December 2019). The measure satisfies the conditions for liquidity support in terms of maximum loan amount (section 3.3 TF) and does therefore not need to meet the more stringent conditions for recapitalization. The total estimated budget of the scheme is EUR 30 billion (30 June). The measures has been further amended to allow support to micro and small enterprises already in difficulty on 31 December 2019 (31 July). The scheme has been further amended to extend the period of application to 30 June 2021 (9 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A sixteenth measure providing aid in the form of reinsurance provided to companies offering short-term credit insurance in the context of the coronavirus outbreak with an estimated budget of EUR 10 billion (17 July). The measure has been amended to extend the application to 30 June 2021 and to change the risk division between the State and the insurer to 80-20% (from 75-25%) (14 January 2021).

A seventeenth measure consisting of aid in favour of Corsair, an airline active in passenger and cargo transport mainly to French overseas territories. The first measure consists in EUR 106.7 million of restructuring aid for the company. The second measure, with a budget of EUR 30.2 million, aims to compensate the company for damage suffered due to emergency measures put in place by governments in the context of the coronavirus outbreak (11 December).

An eighteenth measure consisting of aid in the form of direct grants to entities engaged in professional sport activities or organising professional sport events. The grants aim to compensate for the loss of gross income linked to sale of tickets and regular food services in stadia between 10 July and 31 December 2020. The total estimated budget is EUR 120 million (25 January 2021).

France

EU State Aid Approvals

A nineteenth measure consisting of aid in the form of direct grants consisting of a wage subsidy reimbursing the wage costs corresponding to days of paid leave to which employees were entitled throughout 2020, but did not use in that year. The measure is open to all employers which offer services to the public and have been closed for at least 140 days in 2020 or experienced a decline of at least 90% of turnover during the two lockdowns in 2020. The total estimated budget is EUR 200 million (26 January 2021). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A twentieth measure consisting of support in the form of a State guarantee on private investment vehicles, funded by private investors, that will acquire participating loans distributed by commercial banks as well as subordinated bonds, thereby improving their capital position. The scheme will be accessible to small and medium-sized enterprises and midcaps on the basis of the submission of an investment plan and minimum credit ratings. The French scheme is expected to mobilise up to EUR 20 billion of private long term funding (3 March 2021).

A twenty first measure consisting of direct grants to SMEs and large enterprises who suffered a decline in turnover of at least 35% in the period 1 January to 30 November 2021 compared to the same period in 2019. The compensation is aimed to compensate for up to 70% (90% for micro and small enterprises) of uncovered fixed costs for the period 1 January to 30 November 2021 with a maximum of EUR 10 million per undertaking. The total estimated budget of the measure is EUR 2 billion (9 March 2021).

A twenty second measure consisting of direct grants to natural and legal persons carrying out a horticultural production activity who suffered a turnover decline of at least 30% during the period of 16 March 2020 and 10 May 2020. The aid will be calculated as a percentage of the turnover loss and is capped at EUR 1 million per applicant (EUR 10 million per undertaking). The total estimated budget of the measure is EUR 25 million (19 March 2021).

A twenty third measure consisting of a recapitalisation of up to EUR 4 billion of Air France and its Holding company. The recapitalisation is part of the first step of the recapitalisation plan of the group and comprises: (i) the conversion of the EUR 3 billion State loan already granted by France (approved by the Commission in May 2020) into a hybrid capital instrument; and (ii) a capital injection by the State , through the subscription of new shares in a share capital increase opened to existing shareholders and the market, in a limit of EUR 1 billion depending on the size of this operation. KLM, the other strategic subsidiary of the Air France-KLM group, will not benefit from the aid (5 April 2021).

A twenty fourth measure consisting of aid in the form of tax advantages granted to SMEs active in certain agricultural subsectors. The tax advantage consists of a reduction of EUR 2,500 of the income or corporate tax for 2021 on condition that the farmers did not use products containing glysophate. The total estimated budget of the measure is EUR 100 million (12 May 2021).

France

Foreign Investment Restrictions

The French Minister of Economy has stated that the government is ready to protect important/strategic French companies by notably recapitalising them, buying shares or even taking them over (temporarily if necessary). The government has specifically stated that the option to nationalize strategic companies is not excluded, notably in the automotive and aeronautical sectors. As part of the budget law for 2020 (LOI n° 2020-473 du 25 avril 2020 de finances rectificative pour 2020) enacted on 25 April 2020, the French government allocated a budget of 20 billion euros for equity investments in, or temporary nationalizations of strategic companies severely hit by the economic crisis (via the Agence des participations de l'État (APE)).[@[Comments from FIRE Contacts]]

By order of the French Minister of Economy dated 27 April 2020, the list of strategic sectors is extended to biotechnologies. The French government's aim is to protect for example companies working on a vaccine against COVID-19.

By a decree and a related order dated 22 July 2020, the French Foreign Investment regulations were further strengthened through the lowering of the threshold for the acquisition, by non-European investors, of the voting rights of a listed French entity from 25% to 10%. This measure is temporary. Initially set to expire on 31 December 2020, this measure has been recently extended until 31 December 2021 (by a decree dated 28 December 2020). Such investments are subject to a lighter prior notification/authorization process.

France

Debt

Setting-up of a loan guarantee scheme up to a total of EUR 300 billion for loans satisfying certain conditions: All companies are eligible, subject to (i) not being a credit institution, finance company or certain types of civil-law real estate companies, nor being subject to an insolvency proceeding on or before 31 December 2019 (it being noted that when a court-validated continuation plan has been initiated, companies are still eligible), (ii) the loan terms including a minimum grace period, the possibility to extend the amortization period and the absence of security interest and (iii) the lender proving an increase of its financial support to the borrower since 16 March 2020. Any refusal by a lender to grant a loan of less than EUR 50,000 must be notified in writing. The maximum amount of guaranteed financing is 25% of the borrower's annual turnover (subject to exceptions for young or innovative companies). The level of guarantee coverage is 90% for borrowers with less than 5,000 employees and an annual turnover under EUR 1.5 billion and 80% / 70% for borrowers with an annual turnover respectively under / in excess of EUR 5 billion). The State guarantee is granted at a preferential fee (from 0.25% to 2% per year depending on the size of the borrower and the loan maturity). In case of default on the loan, the lender is entitled to receive within 90 days of its request a provisional repayment of its estimated loss (with a later adjustment payment to, or reimbursement by, the lender, once the definitive loss amount is established).

Eligible businesses which have been entirely or partially denied benefit of the State Guarantee may apply for an ad hoc alternative scheme by way of repayable advance (under EUR 800,000) and low-interest loan (over EUR 800,000).

Setting up by the French public investment bank (BPI) of a loan guarantees scheme for an aggregate EUR 700 million to secure 2-to-6-year term cash loans (or 12 month bank overdrafts) granted by private banks to SMEs and mid-sized companies facing non-structural cash flow difficulties because of the COVID-19 crisis. The level of guarantee coverage is 70% to 90% up to an amount of EUR 5 million for SMEs and EUR 30 million for mid-sized companies.

Setting up of cash loan schemes with guarantees subsidized by BPI with no asset linked or personal security required:

- *Prêt Rebond:* Available to SMEs / Amount between EUR 10,000 and 300,000 / 7-year term with a 2-year grace period;
- *Prêt Atout:* Available to VSEs, SMEs and mid-sized companies / between EUR 50,000 and 5 million for VSEs / SMEs and 15 million for mid-sized companies / 3-to-5-year term with an up to 1-year grace period.

Young companies (less than 12 months), real-estate / finance intermediaries / agricultural companies (and for Prêt Atout, companies being insolvent or under bankruptcy or similar proceedings) may not benefit from this scheme.

Debt

Setting-up of a support scheme for export companies comprising mainly (i) an extension of the State guarantees to cover personal guarantees and export pre-financings guarantees (ii) an extension of existing prospect insurances for one year and (ii) support for short term credit export with the granting of an additional EUR 5 billion envelope to the existing Cap Francexport public reinsurance scheme.

Setting-up of a support scheme for start-ups including in particular (i) a EUR 80 million envelope to provide semi-equity (convertibles)bridge financings alongside private investors for up to EUR 5 million per investment (ii) a dedicated EUR 2 billion envelope of State guarantees - as part of the above-described EUR 300 billion State guarantee scheme, (iii) accelerated reimbursement of research tax credits and (iv) innovation aids up to an amount of EUR 1.3 billion

General moratoria on penalty (including periodic penalty), termination and forfeiture clauses: their effect is postponed until the end of a "legally protected period" (*période juridiquement protégée*) starting from 12 March 2020 until 23 June 2020 (included).

i. in relation to penalties and clauses which should have taken place during the legally protected period, their effective date is postponed until the end of the legally protected period, increased:
   - by a period equal to the time elapsed between 12 March 2020 and the date on which the obligation should have been performed ; or
   - if the obligation arose after 12 March 2020, by a period equal to the time elapsed between the date on which the obligation arose and the date on which it should have been performed.

ii. in relation to penalties and clauses sanctioning obligations (other than with respect to payment obligations) which should have taken place after the legally protected period, their effective date is postponed:
   - if the obligation was to be performed before 12 March 2020, for a period equal to the time elapsed between 12 March 2020 and the end of the legally protected period; or
   - if the obligation was to be performed subsequently to 12 March 2020, for a period equal to the time elapsed between the date on which the obligation should have been performed and the end of the legally protected period.

By exception, clauses sanctioning the non-performance of a payment obligation which is to take effect at a date subsequent to the end of the legally protected period are not impacted

Debt	Parties to the contract remain free to exclude the application of these moratoria by express clauses, or to decide to waive its application. They also keep legal remedies such as exception of execution for non-performance and default legal interest rate on delayed performance. Also these moratoria do not apply to certain matters and sectors such as criminal and electoral laws, urgency laws enacted in response to the COVID-19 crisis, to insurance companies, to certain disclosure obligations of listed companies pursuant to securities law, nor to certain financial obligations (listed in art. L 211-36 of the French Monetary and Financial code). Setting-up a 3-to-6-month French state solidarity fund of EUR 6.75 billion in order to provide tax-free financial aid to small businesses carrying out an activity significantly impacted (closure or +50% loss of revenue) by the COVID-19 outbreak, except for companies in liquidation as at 1st March 2020. The aid amounts to up to: (i) EUR 1,500 or (ii) EUR 2,000 to EUR 5,000 for businesses in risk of bankruptcy depending on their turnover. This scheme has been extended until 31 December 2020 for businesses in sectors that have been particularly impacted such as restaurants, hotel, transportation, etc.
Restructuring & Insolvency	The following measures in respect of the identified processes have been put in place: **Conciliation (Conciliation) :** Freezing of cash-insolvency assessment Until 23 August 2020, the relevant date at which cash-insolvency (*cessation des paiements*) is to be assessed is 12 March 2020. Extension of deadlines Ongoing conciliation proceedings are extended by a period of five months. The three-month waiting period for initiating new conciliation proceedings does not apply. Facilitated formalities and adjustment of procedural rules Filing of court documents and procedural communications may be carried out electronically or by post. Hearings may be held virtually. Compulsory standstill If a creditor refuses to suspend the debtor's payment during conciliation proceedings, such debtor can petition the President of the Court to suspend or prohibit any legal action, suspend any enforcement actions and/or postpone or stagger the payment of all due sums including interests.

Restructuring & Insolvency

Safeguard Proceedings (Sauvegarde) :

Freezing of cash-insolvency assessment

Until 23 August 2020, the relevant date at which cash-insolvency (cessation des paiements) is to be assessed is 12 March 2020.

Extension of deadlines

Deadlines relating to safeguard proceedings and safeguard plans are extended. Bankruptcy officers may request the extension of deadlines by a period of five months.

Facilitated formalities and adjustment of procedural rules

Filing of court documents and procedural communications may be carried out electronically or by post. Hearings may be held virtually..

Rehabilitation proceedings (*Redressement judiciaire*) :

Freezing of cash-insolvency assessment

Until 23 August 2020, the relevant date at which cash-insolvency (cessation des paiements) is to be assessed is 12 March 2020.

Extension of deadlines

Deadlines relating to rehabilitation proceedings and rehabilitation plans are extended. Bankruptcy officers may request the extension of deadlines by a period of five months.

Facilitated formalities and adjustment of procedural rules

Filing of court documents and procedural communications may be carried out electronically or by post. Hearings may be held virtually.

Ability of directors to submit a bid under an in-court sale plan

The debtor or the judicial administrator can petition the Court to sell the business to the managers or their related parties, if this alternative would preserve jobs.

Restructuring & Insolvency

Liquidation (*Liquidation judiciaire*) :

Freezing of cash-insolvency assessment

Until 23 August 2020, the relevant date at which cash-insolvency (cessation des paiements) is to be assessed is 12 March 2020.

Extension of deadlines

Bankruptcy officers may request the extension of deadlines by a period of five months.

Facilitated formalities and adjustment of procedural rules

Filing of court documents and procedural communications may be carried out electronically or by post. Hearings may be held virtually.

Ability of directors to submit a bid under an in-court sale plan

The debtor or the judicial administrator can petition the Court to sell the business to the managers or their related parties, if this alternative would preserve jobs.

State support

Companies under conciliation safeguard, rehabilitation or liquidation opened as from 1 January 2020 are eligible to the state guarantee scheme for new money loans (up to 90%).

Reform

Further legislative amendments are on track. Directive (EU) 2019/1023 of 20 June 2019 ("Insolvency Directive") is meant to be transposed into French law before 17 July 2021. The "PACTE" law dated 22 May 2019 authorized the government to transpose the Insolvency Directive by ordinance.

France

Equity

EUR 20 billion has been assigned to the special purpose budget managed by the French State Participations Agency (Agence des Participations de l'Etat) for recapitalization purposes by way of equity (semi-equity financings are still to be confirmed). This is to support companies deemed strategic enterprises and considered vulnerable because of the COVID-19 crisis, in particular those in the aeronautics and automotive sector.

The State Participations Agency is tasked with ensuring that the companies benefiting from these recapitalization measures fully integrate social, societal and environmental responsibility goals into their strategy. This recapitalization scheme does not, however, create an effectively binding additional "environmental counterparty" for such companies.

Taxation

Corporate income tax

The French minister of the budget allows companies experiencing difficulties to defer payment of the balance of the CIT 2019 until 30 June 2020, for the fiscal year ending from 31 December 2019 to 29 February 2020. This deadline is extended to 31 July 2020 for companies whose fiscal year ends on 31 March 2020.

The payment for the CIT instalment due on 15 June is deferred until 30 June.

For the companies that have previously requested the deferral of payment of the CIT instalment for March for three months, the June CIT instalment is suspended until September.

For large companies (i.e., with more than 5,000 employees or an annual turnover exceeding EUR 1.5 billion) and groups, these extensions of payment limits are conditioned upon the absence of dividend distribution and share buybacks until the end of 2020, and upon the absence of subsidiaries in a non cooperative state territories (ETNC)

Social security / Employment / Wage taxes / Personal Income Tax

The deferral of payment of social contributions for June, (as for the previous months) can be requested, partially or totally, to the URSSAF (the French Social Security Administration).

As for the previous months, companies may also request the deferral of the payment of the payroll tax for June, by filling out a form on the website impôt.gouv.fr.

For large companies (i.e., with more than 5,000 employees or an annual turnover exceeding EUR 1.5 billion) and groups, these extensions of payment limits are conditioned upon the absence of dividend distribution and share buybacks until the end of 2020, and upon the absence of subsidiaries in a non cooperative state territories (ETNC).

France

Taxation

VAT

No deferral payment.

VAT return simplifications for companies unable to collect all the documents needed to draw it up.

- Simple estimate of the amount of VAT due for a month and pay a deposit corresponding to this amount the following month. A margin of error of 20 % is allowed ; Or
- Companies experiencing a turnover decline due to the COVID crisis-19: flat rate at 80% of the amount declared the previous month or 50% if the activity has been discontinued since mid-March (total closure) or is in a very sharp decline. VAT should be then regularised on the basis of the actual elements from the activity over all previous months.

Invoicing process - Invoices issued in paper form and then scanned, can be sent by e-mail without the need to send the corresponding paper invoice by the post. Customer is allowed to keep the "paper" invoice received by e-mail in PDF format. At the end of this period, it will be up to the customer to keep it on paper by printing it or to scan it.

Reduced rates - Certain Masks, protective clothing and hygiene products adapted to combat the spread of coronavirus benefit from the reduced VAT rate of 5.5 % until 31 December 2021.

Input VAT - Companies donating certain health equipment (masks, hydro-alcoholic gels, protective clothing, respirators) to eligible organisations are exempt from regularising the VAT paid on the purchase of such equipment.

Excise / Import duties

Possibility of importing masks without CE marking on condition that the importer proves that they comply with European standards and sets up a procedure for early communication of the documents necessary for customs clearance.

- General Control for Export Outside of the EU: cf. EU temporary export licensing requirement on certain personal protective equipment.
- Respiratory Masks: Certain types of respiratory protection masks held in France on March 24, 2020 or produced on French territory from that date are requisitioned until May 31, 2020 (subject to possible extension). This requisition may also apply to imported devices (subject to some conditions). They cannot therefore be sold or exported.
- Drugs: In addition, certain drugs (curare and hypnotics) are subject to similar measures (articles 12-4-1 and 12-4-2 of the decree of March 23, 2020).

France

Taxation

Customs:

Suspension and extension of time limits and measures, which have expired or will expire between 12 March 2020 and 24 June 2020 (except extension of the state of public health emergency) i.e., recovery, contestation, limitation period...

Deferral payment of certain taxes on request (Axle tax, Annual Francization and Navigation Fee, Dock dues).

Temporary suspension of customs duties and VAT on imports of masks, protective equipment, screening kits, or medical devices for state bodies (public hospitals, local authorities, etc.) and approved philanthropic charities. Applies for a renewable period of six months from 30 January 2020 until 31 July 2020.

Storage - Goods already cleared through customs can stay in Temporary Storage Facilities (TSF) for up to 120 days. Authorised Economic Operators may store goods under suspension of duties and taxes in places not previously approved by customs.

Other taxes

As for the CIT, payments of the balance of CVAE and of the CVAE instalment for June are deferred until 30 June 2020.

Companies that are members of the monthly payment system for the payment of the business property contribution (CFE) or property tax (TF) can suspend payments on impots.gouv.fr without penalty or by contacting the Service Collection Centre. The remaining amount will be debited at the time of payment of the balance.

Tourist tax: For City Tax, no specific measure has been taken by the Government. Some municipalities have taken relief measures: deferral of reporting and payment, or even exemption (examples : Lille, Lyon, Marseille, St Malo, Quimper, Grenoble, Nancy, Cannes, Le Mans, Aix-en-Provence…).

Comments

i. For companies, the budget minister's press release of 17 April postponed the filing of tax returns and other similar declarations initially due in May to 30 June. As such, the following are concerned: declarations of results subject to corporate income tax and category income subject to income tax, including the declaration of results of private real-estate companies not subject to corporate tax, as well as the CVAE declaration and the CVAE liquidation and regularization declaration, except for credit companies for which the deadline remains set for 5 May. This additional deadline also applies to all tax credit forms.

Taxation

The extension of the deadline until 30 June 2020 also concerns DAS 2 (due in principle on 15 May). The deadline for filing DSN returns is also extended to August 2020 at the latest.

ii. The deadline for the filing of personal income tax returns are 4 June 2020 for the first zone (department N°. 01 to 19 and non-residents), 8 June 2020 for the second zone (department N°. 20 to 54) and 11 June 2020 for the third zone (department N°. 55 to 974/976).

iii. The standard limitation period of one month for the registration of legal documents with the French tax authorities and payment of the transfer tax, where applicable, is suspended for a period equal to the period between 12 March 2020 and 23 June 2020.

iv. Tax authorities should suspend their tax audits "on impacted industries". The limitation periods expiring on 31 December 2020 are suspended for a period equal to the period between 12 March 2020 and the expiry of a period of two months from the end of the protective period, current scheduled for 23 June 2020. Thus a suspension period of 5.5 months. As a result, tax audit limitation period would be extended from 31 December 2020 to mid-June 2021. All time limits for the conduct of control and investigation procedures in tax matters are also suspended. Only the protective period applies to tax rulings (i.e., a suspension period of 3.5 months).

To read more about this topic, please see this alert: France: COVID-19 tax measures

Germany

EU State Aid Approvals

Two subsidised loan schemes are to be implemented by the German bank Kreditanstalt fur Wiederaufbau (KfW) covering up to: 90% of the risk, available to all companies (up to 5 year maturity and up to EUR 1 billion per company)80% of the risk, but no more than 50% of a company's total debt, as part of a consortium of private banks. Loans will only be provided during 2020 with up to a six year maturity (22 March).

A third loan scheme open to all companies enabling the granting of guarantees on loans at favourable terms to help businesses cover immediate working capital and investment needs (24 March). Some modalities have been amended on 11 April 2020. The scheme has been further amended to allow support to micro and small enterprises that were already in difficulty on 31 December 2019 as well as some further technical amendments (27 July). A third amendment extends the application of the scheme to 30 June 2021 (19 November). A further amendment extends the application of the scheme to 31 December 2021 and implements some further technical changes (12 February 2021).

A fourth direct grant aid scheme (direct grants, repayable advance or tax and payment advantages) for companies of up to EUR800,000 per company (with lower thresholds for companies involved in fishing and agriculture) (24 March). Some modalities have been amended on 11 April 2020. A further amendment extends the application of the scheme to 30 June 2021 and allows support to micro and small enterprises that were already in difficulty on 31 December 2019 (19 November). A further amendment extends the application of the scheme to 31 December 2021, increases maximum aid amount to EUR 1.8 million and implements some further technical changes (12 February 2021).

A fifth subsidised loan scheme in line with the first loan scheme referred to above, but now implemented by the German federal and regional authorities, and promotional banks, instead of KfW. (2 April) The scheme has been amended to allow support to micro and small enterprises that were already in difficulty on 31 December 2019 as well as some further technical amendments (27 July). A further amendment extends the application of the scheme to 30 June 2021 (19 November). Another amendment extends the application of the scheme to 31 December 2021 and implements some further technical changes (12 February 2021).

A sixth guarantee scheme to support the credit insurance market in the context of the coronavirus outbreak. The scheme aims to ensure that trade credit insurance continues to be available to all companies, avoiding the need for buyers of goods or services to pay in advance, therefore reducing their immediate liquidity needs. The total estimated budget is not provided. (13 April)

A seventh measure consisting of a State-guaranteed EUR 550 million public loan in favour of German charter airline Condor. (26 April)

Germany

EU State Aid Approvals

An eighth measure consisting of the German "umbrella" scheme to support research, development, testing and production of coronavirus relevant products. The public support will take the form of direct grants, repayable advances and tax advantages. Guarantees to cover losses may also be granted, either in addition to a direct grant, tax advantage or repayable advance, or as an independent aid measure (28 April). An amendment extends the application of the scheme to 30 June 2021 and allows the grant of support to micro and small enterprises that were already in difficulty on 31 December 2019 (19 November). A further amendment extends the application of the scheme to 31 December 2021 and implements some further technical changes (12 February 2021).

A ninth measure consisting of the EUR 6 billion recapitalization of Lufthansa. The measure consists of a EUR 300 million participation through the subscription of new shares by the State (corresponding to 20% of Deutsche Lufthansa's share capital), a EUR 4.7 billion silent participation with features of a non-convertible equity instrument and a EUR 1 billion silent participation with the features of a convertible debt instrument (25 June).

A tenth measure consisting of the set up of a fund with a budget of EUR 500 billion for providing guarantees (expected to mobilise EUR 400 billion), and investing through debt (subordinated loans) and recapitalization instruments (equity (newly issued ordinary and preferred shares) and hybrid capital instruments (convertible bonds and silent participations)) for a total of EUR 100 billion. In addition the fund can raise an extra EUR 100 billion to refinance State aid measures already notified and approved (8 July). An amendment extends the application of the scheme to 30 June 2021 for guarantees and 30 September 2021 for recapitalizations (19 November 2020). A further amendment extends the application of the scheme to 31 December 2021 and implements some further technical changes (12 February 2021).

An eleventh measure consisting of aid in the form of guarantees on vouchers issued to travelers who booked package tours prior to 8 March 2020 that had to be cancelled because of the COVID-19 outbreak. The total budget is estimated at EUR 840 million (31 July).

A twelfth measure consisting of direct grants to public and private undertakings that discharge public service obligations for the provision of road- or rail-based public regional or local passenger transport services in Germany. The direct grants are limited to compensate the damage incurred by the COVID-19 crisis in terms of lost revenue and additional expenses (e.g., hygiene measures). The total estimated budget is EUR 6.1 billion (7 August).

A thirteenth measure consisting of an "umbrella" aid scheme to support operators of German Airports. The aid can take the form of direct grants, repayable grants, guarantees, subsidised interest loans and tax advantages or delayed payments. The total estimated budget of the measure is EUR 1.6 billion (11 August). The scheme has been amended to extend the period of application of the different measures to 30 June 2021 (3 December).

Germany

EU State Aid Approvals

A fourteenth measure consisting of the establishment of a Fund which would enable up to EUR 46 billion of liquidity and capital support to enterprises in the German State (Land) of Bavaria in the context of the coronavirus outbreak. The scheme will take the form of guarantees, subsidised debt instruments in form of subordinated loans and recapitalisation instruments (such as equity instruments and hybrid capital instruments) (20 August). An amendment extends the application of the scheme to 30 September 2021 (19 November). A further amendment extends the application of the scheme to 31 December 2021 and implements some further technical changes (12 February 2021).

A fifteenth measure consisting of direct grants to compensate youth hostels, school country homes, youth education centres and family holiday centres in Bavaria for damages suffered due to the coronavirus outbreak. The aid will compensate the damage suffered up to a maximum of 60% of the loss of revenues incurred by eligible beneficiaries in the period from 18 March 2020 to 31 July 2020. The total estimated budget is EUR 26 million (29 September).

A sixteenth measure consisting of a framework scheme that will be applied by the German federal and Länder authorities to provide aid to cover uncovered fixed costs in the form of direct grants, guarantees and loans. Eligible companies must have faced a decline of turnover of at least 30% and compensation of fixed costs is limited to 70% (90% in case of micro and small undertakings. The total budget is estimated at EUR 30 billion (20 November). A further amendment extends the application of the scheme to 31 December 2021 and increases the maximum aid amount per company to EUR 10 million (12 February 2021).

A seventeenth measure consisting of direct grants to compensate youth hostels, school country homes, youth education centres and family holiday centres in Germany for damages suffered due to the coronavirus outbreak. The aid will compensate the damage suffered up to a maximum of 60% of the loss of revenues incurred by eligible beneficiaries in the period from the start of the lockdown in each particular *Länder* to 31 July 2020. The total estimated budget at federal level is EUR 75 million, with potential additional budget at the level of the *Länder* (26 November).

An eighteenth measure consisting of an "umbrella" scheme allowing the German federal and regional authorities to provide capital support in the form of (i) subordinated loans, and (ii) recapitalisation instruments, in particular equity instruments (i.e., acquisition of newly issued ordinary and preferred shares, or other forms of shareholding) and hybrid capital instruments (namely convertible bonds and silent participations). Individual measures will be limited to EUR 250 million per beneficiary and the total provisional budget of the scheme is around EUR 3.5 billion. (1 December). An amendment extends the application of the scheme to 31 December 2021 (12 February 2021).

Germany

EU State Aid Approvals

A nineteenth measure consisting of a State recapitalisation of TUI of up to EUR 1.25 billion. The recapitalisation comprises: (i) EUR 420 million silent participation convertible into TUI's equity; and (ii) up to EUR 680 million non-convertible silent participation (EUR 400 million of which will only be provided in case the envisaged EUR 400 million in guarantee measures is not provided by the Länder or the Federal government); and (iii) EUR 150 million of convertible warrant bond. The recapitalisation measure is part of a larger recapitalisation package, which also foresees (i) a capital increase by private investors of up to EUR 500 million, (ii) potentially up to EUR 400 million in guarantee measures by the Länder or the Federal government (still to be agreed, see above), (iii) a prolongation from March 2021 to July 2022 of a EUR 500 million liquidity facility from the coronavirus programme of the Federal Development Bank (KfW), and (iv) a EUR 200 million secured revolving credit facility to be provided by the KfW and other commercial banks (4 January 2021).

A twentieth measure consisting of aid in the form of direct grants to compensate companies for the damages suffered during the lockdown periods imposed by the German government in March/April and November/December 2020 to limit the spread of the coronavirus. The compensation covers either up to 100% of the actual damage incurred during the lockdown periods, or 75 % of the turnover in the reference months of November and December 2019, whichever amount is lower. The total estimated budget of the measure is EUR 12 billion (21 January 2021).

A twenty first measure consisting of aid in the form of direct grants to undertakings of all sizes whose activities (or a separate part of their activities) was subject to a mandatory closure or who realize 80% of their turnover from companies subject to mandatory closures. The grant aims to compensate the companies for the loss of profit calculated as the difference between the operating profit realized during periods of mandatory closure and the operating profit for the same period in 2019. The total estimated budget of the measure is provisional set at EUR 10 billion (28 May 2021).

Foreign Investment Restrictions

In light of the COVID-19 crisis, the German government has restricted the acquisition of medical companies by non-EU or EFTA entities. The catalogue of particularly sensitive companies, has been extended to further sectors such as companies, which develop or manufacture medicines, vaccines, medical protective equipment or medical items for the treatment of highly infectious diseases. The scope of the review has also been changed from an "actual risk" to the public order or security to "likely effect to the public order or security of Germany or another EU Member State". Unlike before the crisis, even the sale of a small to medium sized medical company could presumably be considered a probable impairment to the public order and security of Germany. The addition of further industry sectors, such as for example biotechnology, is currently being discussed by the legislator and may be added to the list of particularly sensitive sectors in future.

To read more about this topic, please see this alert: EU and Germany: COVID-19 trade, foreign investment and the health sector

Debt

KfW Programs

The set of measures presented by the German Government include a guarantee for the banks extending loans to corporates, covering 80% or 90%. That way, companies facing an illiquidity due to COVID-19 are being provided with the liquidity needed. These programs are being provided through KfW, the German state owned support bank. The respective loans are being applied for through the relevant "house banks". Loans must not exceed EUR 1 billion in total for a group and are limited at 25% of total revenues in 2019, double the amount of salaries, liquidity needs for the next 12 or 18 months (depending on the size of the company) or 50% of the total debt in case of loans in excess of EUR 25 million.

KfW "quick loan" for medium-sized enterprise (with more than ten employees and at least active since January 2019)

For investments and working capital needs, mid-sized companies can apply for the so-called KfW "quick loan". The loan is 100% guaranteed by the Federal Government.

- 100 % risk assumption of KfW
- No risk assessment of the loan extending bank
- Maximum loan amount: up to 3 months turnover in the year 2019
- Enterprises with up to 50 employees can apply for a maximum loan of EUR 500,000
- Enterprises with more than 50 employees can apply for a maximum loan of EUR 800,000
- Term 10 years
- Showed profits in 2019 or on average over the last three years

The new KfW "quick loan" program is not limited to SMEs as defined by the EU Commission. However, according to the information provided by KfW, the KfW "quick loan" is available only to

- enterprises engaged in trade and industry seated in Germany that are majority-owned by private individuals
- sole proprietors / freelancers in Germany

Germany

Restructuring & Insolvency

In response to the COVID-19 pandemic ("Pandemic") and in order to mitigate its economic consequences, the German legislator enacted a wide range of regulations.

One of these regulations is the COVID-19 Insolvency Suspension Act (COVID-19 - Insolvenzaussetzungsgesetz; COVInsAG) which entered into force with effect as of 1 March 2020 and since then has been amended several times.

In order to support distressed companies in their restructuring efforts, the COVInsAG temporarily changes parts of the existing insolvency law, covering the following:

- suspension of the managing directors' obligation to file for insolvency;
- protection of the management from liability for payments made after the company has become insolvent;
- protection of creditors, providers of collateral and further business partners from
- claw-back, avoidance and liability risks;
- protection against creditor petitions regarding the opening of insolvency proceedings over the assets of a debtor;
- facilitated over-indebtedness test; and
- facilitated access to debtor- in- possession and protective shield proceedings.

In addition, since 1 January 2021, Germany has a completely overhauled restructuring regime. It is expected that this new restructuring regime will fundamentally change the German restructuring landscape and will also help to mitigate the economic impact of the Pandemic on German companies.

Germany

Equity

Germany has created the Economic Stabilization Fund (*Wirtschaftsstabilisierungsfonds*; "ESF"), which adopts the blueprint from a similar fund that was used to save banks from failing in the wake of the global financial crisis. The fund is intended to stabilize the economy by overcoming liquidity shortages and strengthening the capital base of companies whose endangered existence would have a significant effect on the economy, technological sovereignty, security of supply, critical infrastructures and the labor market.

The ESF can issue guarantees of up to EUR 400 billion for bank loans and grant semi-equity and equity funding of up to EUR 100 billion. The period for grants is limited to 31 December 2020.

Only companies from the "real" economy are eligible, which does not include the financial sector or credit institutions. In addition, in the fiscal years ended prior to 1 January 2020, companies must have met two out of the three following criteria:

- Total Assets of more than EUR 43 million
- Total Revenues of more than EUR 50 million
- More than 249 employees on average during the year

Assistance is also available to:

i. systemically relevant smaller companies that are part of Germany's critical infrastructure, and

ii. start-ups which have had at least one financing round since 1 January 2017, with a post-money valuation of at least EUR 50 million.

Companies must have no other funding alternative and the stabilization measure must be likely to give companies the ability to be self-sufficient and to continue as a going concern after the end of the COVID-19 pandemic.

As of 31 December 2019, companies applying for assistance must not have been in financial trouble. They must demonstrate a solid and prudent business policy and must contribute to the stabilization of chains of production and secure employment. Conditions may be imposed to safeguard these criteria before funding is granted.

Besides limitations on the use of funds, there will be rules on incurring additional debt, limitations on (variable) compensation of executive board members and dividend distributions. In addition, measures to avoid distortion of competition and sector specific restructuring conditions can be imposed. Compliance will be secured by a legally binding commitment, which will be published, signed by the executive board with the consent of the supervisory board.

Germany

Equity

Based on the EU Commission's approval, the WSF is offering the following "standard product" in the form of a silent participation of up to EUR 100 million:

- The participation is limited to the amount necessary to compensate for the depletion in capital resulting from the COVID-19 crisis compared to the equity capital as at the end of 2019.
- The grant of the participation is only available until 30 June 2021.
- A loss participation is possible.
- The maximum term is seven years (with an option to extend to 10 years against payment of a special remuneration of 20% of the outstanding amount).
- Profit participation: 4% in year 1; 4.5% in year 2; 3.5% in years 4 and 5; 7% in years 6 and 7; and, thereafter, 9.5%.
- The participation in years with losses must be made up in later years.
- There will be a prohibition on paying dividends and share buybacks as well as a prohibition on granting variable remuneration to board members or members of the executive management.
- The salary of the executive managers may only exceed the 2019 level once 75% of the participation amount has been repaid.
- The WSF shall have information rights, but no voting rights.
- The participation shall not normally exceed 10% of the company's capital.
- Shareholders must participate with a minimum of the amount received as a distribution in 2020.

In addition, a second product offered by the WSF is a surety (a form of guarantee) for bank loans.

Taxation

Corporate income tax

Taxpayers directly and seriously affected by the Corona crisis may apply for the following tax reliefs:

1. Tax payment deferrals

The payment of taxes that are due in 2020 can be deferred interest-free. The duration of the deferral should generally be three months, but may be longer in individual cases. The deferral applies to income tax, corporate income tax, trade tax and VAT.

2. Adjustments to tax prepayments

Tax prepayments can be reduced in 2020. This applies to prepayments of income tax, corporate income tax and trade tax.

The advance VAT payment due in case of permanent deadline extensions can be refunded. No special adjustment for taxation based on agreed fees.

3. Suspension of enforcement measures

Measures to enforce the payment of overdue taxes and taxes becoming due can be waived through the end of 2020. The same applies to late-payment penalties.

Conditions

In order to determine when a taxpayer is directly and seriously affected by the Corona crisis, the tax authorities have announced that the measures shall not be subject to strict conditions. Therefore, they are satisfied with plausible information from the taxpayer that the Corona crisis has caused serious negative impact on his/her economic situation.

Social security / Employment / Wage taxes / Personal Income Tax

1. Grants and subsidies to employees:

Employers may provide their employees with grants and subsidies up to EUR 1,500 between 1 March and 31 December 2020. Such grants and subsidies need to be provided in addition to the salary owed in any case and need to be recorded in the payroll account. Since the Corona crisis affects the entire society, it is assumed that there is a reason justifying the grant or subsidy within the meaning of the wage tax guidelines. Contributions by the employer to short time working allowances are not covered by this tax exemption.

Taxation

2. Subsidies for short-time working compensation:

Employer contributions to short-time work compensation and seasonal short-time work compensation for wage payment periods beginning after February 29, 2020 and ending before January 1, 2021 are tax-exempt up to 80 % of gross salary in accordance with the social security treatment. They must be included in the progression proviso.

3. Facilitations for cross-border commuters

Germany has concluded (temporary) agreements with Switzerland, the Netherlands, Belgium, France and Austria in order to regulate the taxation of cross-border commuters working from home during the pandemic.

VAT

Besides the general tax reliefs, which also apply for VAT, there are the following special tax reliefs for VAT:

1. The VAT rate for gastronomy will be reduced to 7% for one year from 1 July 2020. Beverages are excluded from this.
2. The VAT rates are to be reduced from 19% to 16% and from 7% to 5% from 1 July 2020 to 31 December 2020.

Excise / Import duties

The due date for import VAT is postponed to the 26th of the following month for companies that have already been granted a customs deferral (*zollrechtlicher Zahlungsaufschub*). The rules applies to the deferral periods starting on 1 December 2020.

Other taxes

Generally, the measures described above (under CIT) are only applicable for income tax, corporate income tax, trade tax and VAT. However, some German Federal States have already announced to offer further tax reliefs, e.g., with respect to real estate transfer tax, inheritance or gift tax. Whether a certain tax relief is available needs to be checked with respect to the relevant German Federal State.

In addition the Federal Customs Authority (Bundeszollverwaltung) and the German Federal Tax Office (Bundeszentralamt für Steuern) has been instructed to apply the above tax reliefs accordingly (details of application are currently still open).

Germany

Taxation

In the German Reorganization and Transformation Act, deadlines were temporarily extended. These extensions of deadlines are now reflected in the Reorganisation Tax Act for the tax retroactive periods regulated in § 9 and § 20 of the Reorganisation Tax Act in order to ensure that the deadlines run in parallel. These periods are now twelve months instead of eight.

1. Investment tax:

Investment tax law Passive breaches of limits for investment funds or special investment funds between 1 March and 30 April 2020 do not in principle constitute a breach of the investment regulations.

2. Trade Tax:

The Tax Office may adjust the advance payments of Trade Tax for the current assessment period, especially in cases in which the tax office adjusts income tax and corporate tax prepayments. Taxpayers who are demonstrably directly and not insignificantly affected may apply for a reduction of the trade tax base for the purpose of the advance payments until 31 December 2020, stating their circumstances. These applications are not to be rejected because the taxpayers are not able to prove the value of the damages incurred in detail.

The Bavarian State Office for Taxes has already provided an application form "Tax relief due to the effects of the coronavirus" for download on its homepage. This form can be used to apply for interest-free deferral of taxes and reduction of tax prepayments or the tax base for the purpose of trade tax prepayments.

3. Tourist tax

N/A

4. DST

N/A

Comments

Formal requirements to make use of COVID-19 related reliefs:

The tax reliefs must generally be applied for. The tax offices will not act automatically. The German Federal States have provided various application forms for download on their homepages. Applications need to be filed with the competent tax office or the municipality (with respect to trade tax).

Germany

Taxation

Tax returns:

The German Federal States provide for extensions regarding the filing of certain tax returns. Whether such an extension is available needs to be checked with respect to the relevant German Federal State.

Further changes envisaged in the draft bill of the Annual Tax Act 2020:

1. Extension of the tax loss carryback:

The tax loss carryback for the year 2020 is to be extended to a maximum of EUR 5 million or EUR 10 million (in the case of joint assessment). In addition, a mechanism is to be introduced so that the loss carryback can be used in the 2019 tax return.

2. Degressive depreciation:

A degressive depreciation of 25%, but no more than 2.5 times the linear depreciation, is to be introduced for movable fixed assets in 2020 and 2021.

3. Trade tax:

In the case of trade tax, the exemption for the addition according to section 8 no. 1 Trade Tax Act is to be increased to EUR 200,000.

4. Extension of deadlines in connection with investments:

The reinvestment periods of § 6b German Income Tax Act are to be extended by one year. The deadlines for the use of investment deductions in accordance with § 7g German Income Tax Act are to be extended by one year.

To read more about this topic, please see this alert: VAT in times of COVID-19 - fast track reduction of VAT

Hungary

EU State Aid Approvals

A first measure consisting of a direct grant scheme, accessible to medium and large enterprises which are particularly hit by the economic consequences of the coronavirus outbreak and which are active in certain sectors defined by Hungary, has been approved (8 April). The support per company will not exceed EUR 800 000 and the total estimated budget of the scheme is EUR 474 million, as amended for a second time (17 August). A further amendment changes the deadlines within which a supported investment must be completed as well as the applicable aid intensity (7 October). A third amendment extends the application until 30 June 2021 and increases the budget to EUR 614 million (10 November). A fourth amendment increase the maximum aid amount to EUR 1.8 million, extends the period of application to 31 December 2021 and introduces certain changes to the eligibility criteria. The total budget is increased to EUR 723 million (6 May 2021).

A second measure with a total estimated budget of EUR 1 billion. This scheme aims to support companies affected by the coronavirus outbreak through direct grants, loans and equity measures, using EU structural funds for that purpose. The scheme will be open to all companies, i.e. micro, small and medium-sized enterprises (SMEs) and large companies, which have access to European structural funds and are facing difficulties as a result of the economic impact of the coronavirus outbreak. (17 April) The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). A further amendment extends the application until 30 June 2021 (10 November). A further amendment extends the application of the scheme to 31 December 2021, increase the maximum aid per company to EUR 1.8 million, and increases the total budget to EUR 2.8 billion (17 February 2021). A further amendment allows for the use of EU Structural Funds allocated for the period 2021-2026 (28 May 2021).

A third scheme providing aid in the form of wage subsidies to finance the wage costs of all undertakings that, due to the coronavirus outbreak, would otherwise lay off researchers and developers. The wage subsidies are provided through direct grants. The total budget is estimated at EUR 88 million. (17 April) The scheme has been amended to extend its application to 30 June 2021 and increase the total budget to EUR 167 million. Further technical amendments to the eligibility conditions are introduced as well (26 January 2021).

A fourth EUR 1.55 billion guarantee scheme (approximately HUF 550 billion) to support companies affected by the coronavirus outbreak. The scheme consists of two complementary measures that will be managed and implemented by two separate entities. (28 April). Scheme has been amended on 29 May with regard to calculation of max. loan amount for start-ups, and guarantee premium in case guarantee covers less than 90% of underlying loan. The scheme has been further amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). A third amendment extends the application until 30 June 2021 and increases the budget to EUR 3.88 billion (10 November). A further amendment extends the application of the scheme to 31 December 2021 and increases the total budget to EUR 5.8 billion (17 February 2021). A further amendment allows for an increased maximum duration of the guaranteed loans up to 6 years (29 March 2021). A next amendment introduces limited technical changes to the eligibility criteria of one of the guarantee measures (4 May 2021).

Hungary

EU State Aid Approvals

A fifth approval concerning three support measures, with a total budget of around EUR 900 million, to support companies affected by the coronavirus outbreak. Under the three schemes, the public support will take the form of (i) direct grants, (ii) guarantees on loans, and (iii) subsidised interest rates for loans, respectively. The measures will be open to small and medium-sized enterprises (SMEs) and large companies. (29 April) The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). The scheme has been further amended to increase the budget with EUR 600 million and to allow for a different calculation of the subsidised interest rates (30 July). A third amendment extends the application until 30 June 2021 (10 November). A further amendment increases the budget to EUR 2.3 billion (9 December). A further amendment extends the application of the scheme to 31 December 2021 and increases the total budget to EUR 2.5 billion (17 February 2021).

A sixth guarantee scheme with at least EUR 283 million guaranteed nominal amount to support companies affected by the coronavirus outbreak. The scheme will be open to SMEs active in all sectors, but is aimed at the wider agri-food value chain (7 May). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). A further amendment extends the application until 30 June 2021 and increases the budget to EUR 694 million (10 November). A further amendment extends the application of the scheme to 31 December 2021 and increases the total budget to EUR 972 million (17 February 2021).

A seventh measure consisting of aid in the form of direct grants, interest rate subsidies and guarantee fee subsidies for SMEs and large enterprises active in primary agricultural production; food industry (including agricultural processing and marketing); fisheries and aquaculture; forestry; game management. The aid will amount to max. EUR 800,000 (EUR 120,000 for aquaculture and fishery or EUR 100,000 for agriculture). The total budget is estimated at EUR 100 million (20 May). The scheme has been amended to increase the total budget with approx. EUR 99 million and to include support for micro and small enterprises which were already in difficulty on 31 December 2019 (24 July). A further amendment extends the application until 30 June 2021 and increases the budget to EUR 226 million (10 November). A further amendment extends the application of the scheme to 31 December 2021, increases the maximum amount per company to EUR 1.8 million and increases the total budget to EUR 309 million (17 February 2021).

An eight measure consisting of aid in the form of equity injections and loans connected to equity (loan or convertible loans) up to a maximum of EUR 800,000 for SMEs and large enterprises. The estimated budget is EUR 156.3 million (20 May). Some technical amendments and an increased budget of EUR 280 for the scheme has been approved by the Commission (19 June). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). A further amended increases the budget with EUR 5.6 million and allows to provide aid in the form of senior and subordinated loans with subsidised interest rates under Section 3.3 of the Temporary Framework (1 October).

Hungary

EU State Aid Approvals

A third amendment extends the application until 30 June 2021 (10 November). A further amendment extends the application of the scheme to 31 December 2021, increases the maximum amount per company to EUR 1.8 million and increases the total budget to EUR 347 million (17 February 2021). A further amendment increases the budget with a further EUR 11 million, adds two granting authorities and extends the period for submission of aid applications until 15 December 2021 (29 March 2021).

A ninth measure consisting of direct grants to SMEs up to a maximum of EUR 800,000 covering the financial costs (the interests and handling fees) related to four loan programs. The total budget is estimated at EUR 60 million (20 May).The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July), and to extend the scheme to the tourism sector and increase the total budget to EUR 100 million (13 August). A further amendment extends the application of the scheme to 31 December 2021 and increases the maximum amount per company to EUR 1.8 million (17 February 2021).

A tenth measure consisting of direct grants to SMEs and large enterprises up to a maximum of EUR 800,000 (EUR 100,000/120,000 for companies active in agriculture and fishery or forestry respectively) for investments aiming to preserve or create new job opportunities. The total budget is estimated at EUR 153 million (8 June). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (28 July). The scheme has been further amended to allow for direct grants to undertakings to cover their financial costs in relation to guarantees taken out until 31 December 2020 (guarantee fee subsidies) in addition to direct grants for investments. The estimated budget of this additional measure is EUR 20.7 million (26 August). A third amendment of the scheme introduces two additional forms of direct grants to support investments that help to preserve or create new jobs, as well as a new measure consisting of the provision of grants to cover the financial costs in relation to existing loans and new loans and guarantees. The total budget for these additional measures is EUR 7.3 million (13 October). A fourth amendment extends the application until 30 June 2021 and increases the budget to EUR 318 million (10 November). A fifth amendment introduces a new measure in the form of direct grants, equity and loans with a further budget of EUR 2.8 million (16 December). A further amendment extends the application of the scheme to 31 December 2021, increases the maximum amount per company to EUR 1.8 million and increases the total budget to EUR 375 million (17 February 2021). A seventh amendment adds an additional granting authority and further increases the budget with EUR 147 million (12 April 2021). An eight amendment adds yet another granting authority and increases the budget which now totals EUR 625 million (2 June 2021).

An eleventh measure consisting of direct grants to large enterprises that have experienced a drop of at least 25% of their turnover due to the COVID-19 crisis, to compensate for the profit lost due to the COVID-19 crisis. The total budget is estimated at EUR 145 million (23 June). The scheme has been amended to increase the budget to EUR 210 million (14 December).

Hungary

EU State Aid Approvals

A twelfth measure consisting of aid to companies active in the aviation sector consisting of fiscal advantages, namely a wage subsidy and the deferrals and reimbursement for amounts of wage related levies paid. The total estimated budget of the scheme is EUR 23.5 million (7 July).

A thirteenth measure composed of two sub-measures aimed at supporting (1) COVID-19 relevant R&D activities, as well as (2) investments to create capacities for the production of products needed to respond to the COVID-19 outbreak. The aid consists of direct grants and the measure has a total estimated budget of EUR 143 million (10 August). This measure has been amended by increasing its budget with approx. EUR 100 million and by relaxing some of the eligibility criteria (1 October). A further amendment extends the application until 30 June 2021 and increases the budget to EUR 291 million (10 November).A further amendment extends the application of the scheme to 31 December 2021 and increases the total budget to EUR 347 million (17 February 2021).

A fourteenth measure consisting of a temporary scheme for subordinated loans (Measures A), and recapitalisations in the form of hybrid and equity instruments (Measures B, C and D). The aid will be granted through the MFB Investment and Transaction Equity Fund and the MFB SMEs Fund. The total estimated budget is EUR 145 million (20 November). A first amendment extends the application of the scheme to 31 December 2021 (17 February 2021). A further amendment extends the period for submission of aid applications until 15 December 2021 (29 March 2021).

A fifteenth measure consisting of four measures, to support employers in the catering, culture, sports and accommodation sectors that have experienced a significant reduction in their business activities in November 2020 . The support will take the form of wage subsidies, consisting of: (i) exemptions from fiscal obligations born by the employers, and (ii) direct grants amounting to 50% of the employees' gross salary. The total budget is EUR 132.5 million (10 December). A first amendment extends the application of the scheme to 31 December 2021 (17 February 2021).

A sixteenth measure consisting of a scheme including four measures:wage subsidies in the form of exemption from fiscal obligations ("Measure A"), wage subsidies in the form of direct grants ("Measure B"), and a "compensation scheme for accommodation service providers", which will be granted as: (i) support for uncovered fixed costs in the form of direct grants ("Measure C") and (ii) limited amounts of aid in the form of direct grants ("Measure D"). Total budget is estimated at EUR 132.5 million (10 December). The scheme has been amended to add eligible sectors for support under measure A and measure B and to provide for the possibility to unilateraly add other sectors going forward. At the same time the application of the measure has been prolonged to 31 December 2021 (29 January 2021). A further amendment increases the budget for measure A and B with EUR 300 million in total and extends the eligible beneficiaries to self-employed persons (Measure A) and adds some eligible sectors (29 March 2021). A further amendment adds a fifth measure (Measure E) to scheme and provides direct grants to self-employed active in the eligible sectors of Measure A and B for the months of April, May and June of approx. EUR 600. The total estimated budget of Measure E is EUR 63.2 million (12 May 2021).

Hungary

EU State Aid Approvals

A seventeenth measure consisting of aid to SMEs in the form of a reduction of the local business tax rate to 1% and a 50% reduction in the advance payments of the local business tax. The maximum aid is capped at EUR 1.6 million (EUR 200,000 per company active in the primary production of agricultural products, EUR 240,000 per company active in the fishery and aquaculture sector) and total budget of the measure is estimated at EUR 478 million (29 January 2021). A first amendment extends the application of the scheme to 31 December 2021 (17 February 2021).

An eighteenth measure consisting of two schemes granting aid respectively in the form of direct grants and support for uncovered fixed costs. Eligible undertakings are SMEs and large enterprises from all sectors and maximum aid per beneficiary is capped at EUR 1.8 million on the first scheme and EUR 10 million for the second scheme. The total estimated budget of the measure is EUR 50 million (16 April 2021).

Foreign Investment Restrictions

The Hungarian Government with Act LVIII of 2020 on the temporary rules related to the termination of the state of emergency ("FIR Act") introduced a new foreign investment screening regime as of 26 May 2020 (beside the already existing FIR) with effect until 31 December 2021.

The FIR Act established a notification obligation in case of transactions resulting in the acquisition of certain interest or other rights in so-called strategic companies. The definition of a strategic company extends to companies carrying out a wide range of business activities (listed in Government Decree no. 289/2020 (VI.17.)e) that are of strategic importance, such as in the sectors of energy; transport, communication, banking, finance, insurance, commercial, health care, defense, constructional engineering, tourism, etc.

Transactions triggering the notification obligation:

1. agreement for the transfer (based on any title for the transfer of property, including contribution in kind) of the ownership interest in the company in whole or in part for free or for consideration;
2. the adoption of a resolution on the increase of the capital of the company;
3. the adoption of a resolution on the transformation, merger or demerger of the company; or
4. the establishment of a beneficial use on the share or the business quota of the company by a unilateral declaration.

Foreign Investment Restrictions

If as a result of any of the listed transactions:

A. A foreign investor (i.e. a natural or legal person outside the European Union (EU), the European Economic Area (EEA), or the Swiss Confederation, furthermore a legal person registered in the EU, the EEA, or the Swiss Confederation, if the person holding the majority interest in the legal person pursuant to the Civil Code is the citizen of a state outside the EU, the EEA or the Swiss Confederation or is a legal person or organization registered in such state; "Foreign Investor"): 1. directly or indirectly acquires an interest of at least 10% in a strategic company and the total amount of the investment equals or exceeds HUF 350 million; or directly or indirectly acquires an interest of 15%, 20% or 50% in a Strategic Company or as a result of the transaction the combined interest of the Foreign Investors would exceed 25%;

B. The right of the use or operation of the infrastructure, equipment, or assets that are essential for carrying out the activities of the strategic company are assigned or encumbered (such as by the establishment of a lien thereon), if the above is acquired by the Foreign Investor or a legal person or organization in which the Foreign Investor directly or indirectly holds a controlling interest;

C. The Foreign Investor or a legal person or other organization registered in a member state of the EU other than Hungary, in the member state of the EEA or in the Swiss Confederation, directly or indirectly acquires a majority interest pursuant to the Civil Code in a strategic company. It is important to note that this section of the FIR Act does not apply only on Foreign Investors, but to entities from the EU that are outside Hungary, from the EEA or from Switzerland, regardless of whether they would qualify as Foreign Investors based on the nationality of the ultimate owners.

As general rule the notification shall be submitted by the Foreign Investor, to the Minister responsible for Innovation and Technology, within 10 days from the coming into effect of the respective transaction. It is to be noted that legal representation in the notification proceeding is required.

Failure to comply with the provisions of the Decree may result in an administrative fine for the

1. on the natural person Foreign Investor, exceeding HUF 100,000, or
2. on a legal person Foreign Investor or other organization Foreign Investor exceeding 1% of the net income in the previous financial year of the Strategic Company affected by the transaction, up to but not exceeding double the value of the transaction, taking into consideration all the circumstances of the case.

It is also important to note that requests for registration in the membership lists or the shareholders' lists of the strategic companies may only be submitted in the possession of an acknowledgement. In the absence of an acknowledgement, or in case of a prohibitive decision, the acquiring

Foreign Investment Restrictions	party cannot be registered in the membership list or in the shareholders' list, and therefore cannot exercise any rights towards the strategic company pursuant to the interest acquired in the course of the transaction serving as basis for the notification. It is also to be noted that the FIR Act does not have extraterritorial effect meaning that the indirect acquisition of participation in a strategic company in way that the share purchase agreement concluded under foreign law concerning the shares of a foreign company (i.e. the mother company of a Hungarian strategic company) does not trigger notification obligation. Further transactions between associated companies (e.g. intra group re-structuring) also does not trigger the notification obligation.
Debt	The Hungarian government ordered a debt moratorium on 18 March 2020 by a framework decree (Gov. Decree no. 47/2020 (III. 18.); the "Framework Regulation"). The detailed regulation (Gov. Decree no. 62/2020 (III. 24.); the "Detailed Regulation") was then issued on 24 March 2020, implementing and further specifying the provisions of the Framework Regulation. The debt moratorium applies with respect to all credit facilities, loans and financial leases granted by financial institutions. During the moratorium neither principal amounts, nor interests or fees become due and payable if these are based on financial services provided before the start of the moratorium, i.e., 18 March EOD. Based on a non-binding governmental communication, we understand that the moratorium does not apply to liabilities that became due and payable by reason of a termination of contract falling before the start of the moratorium. We understand that during the moratorium creditors are not barred from terminating contracts based on legal grounds different from non-payment. Pursuant to paragraph 2 of the Detailed Regulation, interests accruing during the term of the moratorium cannot be capitalised to the principal loan amount (neither during nor after the term of the moratorium).Following the moratorium, the interests accrued during the debt moratorium must be paid up before the extended maturity date in even annual instalments together with the due loan instalments. The moratorium is set to expire on 31 December 2020, which date may be prolonged by the government. The term of loans and other facilities may be further prolonged in addition to the prolongation of cca. 9 months (i.e., the term of moratorium) in order to cap the payment instalments after the moratorium, i.e., the repayment schedule could be shifted by a longer period than the term of the moratorium. The government announced tax reliefs and its intention to provide further financial support for the sectors significantly affected by the economic effects of the COVID-19 pandemic. Businesses of certain sectors and of certain tax regimes (Fixed-Rate Tax of Low Tax-Bracket Enterprises and Small Business Tax) were offered a total or partial exemption of tax and social contributions of the employer. Tax reliefs are significant in the travel industry, the restaurant and entertainment sector, the casinos, the film and the sport industry.

Hungary

Debt

Creditors and debtors are free to file for insolvency proceedings.

The Hungarian government ordered a debt moratorium on 18 March 2020 by a framework decree (Gov. Decree no. 47/2020 (III. 18.); the "Framework Regulation"). The detailed regulation (Gov. Decree no. 62/2020 (III. 24.); the "Detailed Regulation") was then issued on 24 March 2020, implementing and further specifying the provisions of the Framework Regulation.

The debt moratorium applies with respect to all credit facilities, loans and financial leases granted by financial institutions. During the moratorium neither principal amounts, nor interests or fees become due and payable if these are based on financial services provided before the start of the moratorium, i.e., 18 March EOD. Based on a non-binding governmental communication, we understand that the moratorium does not apply to liabilities that became due and payable by reason of a termination of contract falling before the start of the moratorium. We understand that during the moratorium creditors are not barred from terminating contracts based on legal grounds different from non-payment.

Pursuant to paragraph 2 of the Detailed Regulation, interests accruing during the term of the moratorium cannot be capitalised to the principal loan amount (neither during nor after the term of the moratorium).Following the moratorium, the interests accrued during the debt moratorium must be paid up before the extended maturity date in even annual instalments together with the due loan instalments. The moratorium is set to expire on 31 December 2020, which date may be prolonged by the government. The term of loans and other facilities may be further prolonged in addition to the prolongation of cca. 9 months (i.e., the term of moratorium) in order to cap the payment instalments after the moratorium, i.e., the repayment schedule could be shifted by a longer period than the term of the moratorium.

The government announced tax reliefs and its intention to provide further financial support for the sectors significantly affected by the economic effects of the COVID-19 pandemic. Businesses of certain sectors and of certain tax regimes (Fixed-Rate Tax of Low Tax-Bracket Enterprises and Small Business Tax) were offered a total or partial exemption of tax and social contributions of the employer. Tax reliefs are significant in the travel industry, the restaurant and entertainment sector, the casinos, the film and the sport industry.

Creditors and debtors are free to file for insolvency proceedings.

Hungary

Restructuring & Insolvency

No new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

A debt moratorium was introduced by the Hungarian government on 18 March 2020. However, the debt moratorium does not, in principle, affect companies already under liquidation or bankruptcy proceedings. Tax relief, subsidized credit programs and regional financial state support are being launched to counter the negative economic effects of COVID-19.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

N/A

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

Currently the Hungarian Government has not announced yet any tax measures in connection with VAT.

Excise / Import duties

N/A

Taxation

Other Taxes

The Government will adopt detailed rules in further decrees, which are expected to be adopted in the coming days. The following rules are effective from 19 March 2020 in the sectors listed below, for March, April, May and June 2020:

- Employers shall be exempt from payment of social contribution tax and vocational training contributions in respect of employed persons; and
- Only health insurance contributions in kind shall be paid, and no other dues or charges of the employees' wages are due. Health insurance contributions in kind may not exceed the monthly amount of the health care contribution (HUF 7,710).

These facilitations apply in the following sectors:

- tourism
- catering
- entertainment
- gambling
- film industry
- performer
- event organizer, and
- sports service providers

Comments

For the period from 1 March 2020 to 30 June 2020, those liable to pay the tourism development contribution shall be exempt from the payment of the mentioned contribution, and no tourism development contribution shall be declared or established during the period concerned.

the mentioned contribution, and no tourism development contribution shall be declared or established during the period concerned.

Italy

EU State Aid Approvals

A first EUR 50 million aid scheme to support the production and supply of medical devices (such as ventilators) and PPE masks. Financial support is available to companies of all sizes which either set up new facilities, or expand the production of their existing facilities or convert their production line (22 March). The scheme has been amended to extend the period of application to 30 June 2021 (10 December).

A second State guarantee scheme to support a debt moratorium for SMEs, which includes the postponement of repayments of overdraft facilities, bank advances, bullet loans, mortgages and leasing operations. The scheme runs until 30 September with State risk limited to 33%. Eligible beneficiaries must not have non-performing exposures pre 17 March 2020 (25 March). The scheme has been amended to extend the period of application to 30 June 2021 (10 December).

A third scheme providing aid in the form of guarantees on loans and grants covering the value of the premiums on those guarantees to SMEs, small mid-caps and self-employed. The total estimated budget was EUR 1.7 billion (13 April). This scheme has been amended and its total budget was increased to EUR 25 billion and the max. maturity of the loans has been extended to 10 years (16 June). The scheme has been further amended to extend its period of application to 30 June 2021, introduce some technical amendments and add an additional support measure consisting of direct grants to SMEs and mid-caps covering the fees for the loans up to EUR 800,000. For this additional measure the total additional budget is estimated at EUR 5 billion (23 December).

A fourth scheme enabling public guarantees on new loans and on refinancing of existing loans for all businesses, including large companies. The aid will be granted by State-owned SACE, through financial institutions, to companies affected by the coronavirus outbreak. The total estimated budget is up to EUR 200 billion (13 April). The scheme has been amended to extend the period of application to 30 June 2021 (10 December).

A fifth aid scheme in the form of State guarantees and direct grants or 100% guarantees to support SMEs active in the agricultural, forestry, fishery and aquaculture sectors (21 April). The Italian authorities amended the estimated budget to EUR 350 million on 20 July 2020. The scheme has been further amended to change the rules on how the guarantee premium will be calculated (11 December). The scheme has been amended to extend the period of application to 31 December 2021 (18 May 2021).

A sixth aid scheme in the form of subsidised interest rate loans and direct grants to support companies of all sizes active in the agricultural, forestry and fishery sectors in the Friuli Venezia Giulia region. Total budget estimated at EUR 50 million (21 April). The scheme has been amended to extend its period of application to 31 December 2021 and to increase the budget with a further EUR 50 million (16 April 2021).

A seventh measure with a total estimated budget of EUR 100 million, consisting of aid in the form of interest free loans to SMEs active in the agricultural and fishery sector. The scheme was amended on 22 July.

EU State Aid Approvals

An eight measure consisting of direct grants to undertakings of all sizes active in the primary agricultural production and in the fishery and aquaculture sectors which have an operating unit on the Campania region territory. The total budget is estimated at EUR 70 million.
The measure has been amended to extend its period of application to 31 December 2021 and to increase the maximum amount of aid per beneficiary (12 April 2021).

A ninth measure consisting of a EUR 9 billion "umbrella" scheme to support companies affected by the coronavirus outbreak. Under the scheme, the Italian Regions and Autonomous Provinces, other territorial bodies as well as Chambers of commerce, will be able to provide support to companies of all sizes through (i) direct grants, guarantees on loans and subsidised interest rates for loans; (ii) aid for coronavirus-related research and development (R&D), for the construction and upscaling of facilities to develop and test coronavirus-relevant products, and for the production of coronavirus-related products; and (iii) wage subsidies for employees to avoid lay-offs during the coronavirus outbreak (21 May). The scheme has been amended for the Region of Friuli Venezia Giulia allowing for different calculation of the max. loan amount and an increase of the max. loan maturity to 8 years (24 June). The scheme has been amended to extend the period of application to 30 June 2021 (10 December). The scheme has been further amended by widening the scope of the existing aid scheme to include aid in the form of support for uncovered fixed costs under section 3.12 of the Temporary Framework and by increasing the budget with a further EUR 1 billion (15 December). The scheme has been further amended to extend the period of application to 31 December 2021, to increase maximum aid amount of measures under section 3.1 to EUR 1.8 million and those under section 3.12 to EUR 10 million, to introduce some further technical amendments and to increase the overall budget with a further 2.5 billion (9 April 2021 and 16 April 2021).

A tenth measure consisting of aid in the form of direct grants to agricultural companies covering the interests due on the advanced payment of direct support amounts payable to farmers in the framework of the Common Agricultural Policy (CAP) support measures. The estimated budget is EUR 12 million (29 May).

An eleventh measure consisting of four aid schemes waiving certain taxes for and providing tax credits to companies and self-employed workers affected by the coronavirus outbreak. The aid can reach up to a maximum of EUR 800,000 per company and the total budget is estimated at EUR 7.6 billion (26 June). The scheme has been amended to allow aid to be granted to micro and small undertakings that were already in difficulty on 31 December 2020 and to enlarge the scope of eligible companies for two of the four measures. The additional budget involved is EUR 436.3 million (28 October).

A twelfth measure consisting of aid in the form of direct grants up to EUR 800,000 for small businesses and self-employed calculated as a percentage of the turnover reduction suffered by these beneficiaries. The total estimated budget of the scheme is EUR 6.2 billion (8 July).

EU State Aid Approvals

A thirteenth measure consisting of aid in the form of direct grants, repayable advances, tax and payment advantages, reduction or cancellation of the payment of social security and welfare contribution and of other outstanding debts to undertakings carrying out activities in the agricultural, forestry, fishery and aquaculture sectors. The total estimated budget is EUR 1.2 billion (15 July). The scheme has been amended to extend the period of application to 30 June 2021 (10 December). The scheme has been further amended to increase the maximum aid amount per beneficiary, to extend the period of application to 31 December 2021 and to further increase the total budget of the scheme (6 May 2021).

A fourteenth measure consisting of three schemes providing direct grants to investors providing equity to eligible investee undertakings, tax-credits to eligible investee undertakings and subsidised interest subordinated loans to undertakings. The total estimated budget is EUR 6 billion of which EUR 2 billion is earmarked for the subsidies and tax-credits and EUR 4 billion for the subordinated loans (31 July).

The scheme has been amended to extend the period of application to 30 June 2021 except for measure A and to introduce some technical amendments, including the decrease of the budget of measure C from EUR 4 billion to EUR 1 billion (23 December).

A fifteenth measure consisting of aid in the form of direct grants, whose total nominal value remains below EUR 800 000 per undertaking, to companies who wish to pursue activities in the international arena. The total budget is estimated at EUR 300 million (31 July). The scheme has been amended to extend the period of application to 30 June 2021 (10 December) and has further been amended to increase the total budget to EUR 1.128 million (12 January 2021). The scheme has been amended once more to extend its period of application to 31 December 2021, increase the overall budget to EUR 1.273 million and increase the maximum aid amount per beneficiary to EUR 1.8 million (26 March 2021).

A sixteenth measure consisting of a State guarantee scheme for the reinsurance of trade credit risks to support companies affected by the coronavirus outbreak. The total budget is estimated at EUR 2 billion (13 August).The scheme has been amended to extend the period of application to 30 June 2021 (23 December).

A seventeenth measure consisting of State guarantees on loans with subsidised interest rates to support sport associations and entities affected by coronavirus outbreak. The total budget is estimated at EUR 1.6 million (19 August). The scheme has been amended to extend its period of application to 30 June 2021, to increase the maximum nominal amount of the loans to EUR 1.8 million, introduce some further technical changes and to raise the overall budget to EUR 3.2 million (26 May 2021).

An eighteenth measure consisting of aid in the form of tax advantages for undertakings located in the municipality of Campione d'Italia. In particular, the measure provides: (a) a 50 % reduction in income and regional production (IRAP) taxes; and (b) a tax credit granted to undertakings carrying out investments in the territory of Campione d'Italia. The total budget is estimated at EUR 460.000 (21 August).

Italy

EU State Aid Approvals

A nineteenth measure consisting of a EUR 199.45 million direct grant to compensate Alitalia for the damage suffered from 1 March 2020 to 15 June 2020 resulting from the containment measures and travel restrictions introduced by Italy and other destination countries to limit the spread of the coronavirus (4 September)

A twentieth measure consisting of four complementary measures to support large companies particularly affected by the coronavirus outbreak, through recapitalisation instruments, in particular (i) equity, and hybrid capital instruments ((ii)mandatory and (iii) optional convertible bonds and (iv) subordinated debt). The scheme targets large companies that have faced a severe reduction of revenues in 2020 and is administrated by an ad-hoc special purpose vehicle, "Patrimonio Rilancio". The total estimated budget is EUR 44 billion (17 September). The scheme has been amended to extend the period of application to 30 June 2021 for measure A, and to 30 September 2021 for measures B, C and D (10 December).

A twenty first measure consisting of aid in the form of reimbursement of costs incurred by companies of all sizes to protect their workers against the spread of COVID-19. The maximum aid amount is linked to the number of workers of the beneficiaries but cannot exceed EUR 100,000. The total budget is estimated at EUR 403 million (30 September).

A twenty second measure consisting of aid in the form of tax advantages through a partial exemption (30%) from the payment of social security contribution in disadvantaged areas (i.e. Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily). The maximum amount of aid per beneficiary is limited to EUR 800,000 and the total budget is estimated at approx. EUR 1.5 billion (6 October). The scheme has been amended to extend the period of application to 30 June 2021 (10 December). A further amendment extends the application of the scheme to 31 December 2021, increases the maximum amount of aid per beneficiary to EUR 1.8 million and increases the total budget to EUR 4.8 billion (18 February 2021).

A twenty third measure consisting of aid in the form of tax advantages through a partial exemption of the substitute tax to be paid when revaluating assets. The beneficiaries are agricultural cooperatives and the total estimated budget of the scheme is EUR 8.5 million (14 October).

A twenty fourth measure consisting of aid in the form of exemptions for social security contributions to be paid by companies in the period from September to December 2020. The beneficiaries are those companies that did not make use of the latest furlough scheme and benefit is capped at max. EUR 800,000 per beneficiary. The total estimated budget of the scheme is EUR 484 million (10 November). The scheme has been amended to extend the period of application to 30 June 2021 (10 December).

EU State Aid Approvals

A twenty fifth measure consisting of aid in the form an exemption from social security contribution payments for private employers in the tourism and thermal bath sectors engaging with fixed term contracts entered into between 15 August and 31 December 2020. Maximum amount of aid per beneficiary is limited to EUR 800,000 and total budget is estimated at EUR 175.3 million (16 November).The scheme has been amended to extend the period of application to 30 June 2021 (10 December).

A twenty sixth and seventh measure consisting of aid in the form of direct grants to small book publishers and publishers, recorders and reproducers of music respectively. Aid amounts are limited to max. EUR 20,000 and EUR 40,000 respectively and the total estimated budget for each measures is EUR 10 million (17 November).

A twenty eight measure consisting of a liquidation scheme for small banks (other than cooperatives) with total assets of less than €5 billion. The authorisation is granted for 12 months from today. The Italian State will be able support the sale of assets and liabilities of a failed bank to another bank. The buyer will be selected on the basis of a competitive bidding process and should viably integrate the acquired activities within one year. The shareholders and subordinated creditors of the failed banks will have to contribute to cover the losses (20 November).

A twenty ninth measure consisting of direct grants to undertakings, irrespective of their size, carrying out business activities for the sale of goods or services to the public in the historic city centres covered by the scheme which can demonstrate a decrease of turnover of 1/3 in the month of June. Maximum aid per beneficiary is limited to EUR 800,000 and total budget of the scheme is EUR 500 million (3 December).

A thirtieth measure consisting of direct grants to undertakings operating travel agencies and tour operator activities to compensate them for the loss of revenue between 23 February 2020 to July 31 July 2020. Maximum aid per beneficiary is limited to EUR 800,000 and total budget of the scheme is EUR 625 million (4 December).

A thirty first measure consisting of direct grants to undertakings active as fair agencies, organisers of conventions and trade shows, or providers of logistic and support services to fairs, conventions and trade shows. Maximum aid per beneficiary is limited to EUR 800,000 and total budget of the scheme is EUR 370 million (17 December).

A thirty second measure consisting of direct grants to compensate airlines for the damage suffered due to the coronavirus outbreak and the travel restrictions that Italy and other countries had to implement to limit the spread of the coronavirus between 1 March 2020 and 15 June 2020. The total budget is EUR 130 million (22 December).

A thirty third measure consisting of a EUR 73 million direct grant to compensate Alitalia for the damage suffered from 16 June 2020 to 31 October 2020 on 19 routes resulting from the containment measures and travel restrictions introduced by Italy and other destination countries to limit the spread of the coronavirus (29 December).

EU State Aid Approvals

A thirty fourth measure consisting of aid in the form of direct grants to SMEs carrying out a motorway fuel distribution service (with the exclusion of petrol stations under the direct management of integrated oil companies and unitary management of oil and catering activities). The aid covers the employers' social security contributions (outside those referred to insurance for accident at work) on the salaries of their employees with regard to the months of March, April and May 2020. The total estimated budget of the measure is EUR 4 million (11 February 2021).

A thirty fifth measure consisting of aid in the form of an exemption for private employers from the payment of their quota of social security contributions for a period of four 4 weeks in January 2021. The eligible companies are all employers who did not apply for wage compensation subsidies for the same period. The total estimated budget of the measure is EUR 64.1 million (23 February 2021).

A thirty sixth measure consisting of a direct grant to Toscana Aeroporti, the operator of the Pisa and Florence airports, to compensate for the damage it suffered due to the coronavirus outbreak and the national lockdown between 10 March and 15 June 2020. The aid amounts up to EUR 10 million (1 March 2021).

A thirty seventh measure consisting of direct grants to compensate providers of commercial, long-distance rail passenger services for the damage suffered between 8 March 2020 and 30 June 2020 due to the COVID-19 outbreak and the restrictive measures that Italy implemented to limit the spread of the coronavirus. The total estimated budget of the measure is EUR 511 million (10 March 2021).

A thirty eight measure consisting of direct grants to organisers of international sport events who incurred costs to ensure the safe presence of the public in events planned to take place in Italy within ten days of the entry into force of the Prime Ministerial Decree of 24 October 2020, i.e. between 26 October 2020 and 5 November 2020. The total estimated budget is EUR 1 million (15 March 2021).

A thirty ninth measure consisting of aid in the form of direct grants to trade fair limited liability companies and limited liability companies whose main activity is the organisation of trade fairs whose activities have an international vocation. The measure is aimed to cover part of the uncovered fixed costs incurred during the period of 1 March 2020 to 28 February 2021 up to a maximum of EUR 10 million per undertaking. The total budget is estimated at EUR 63 million (16 March 2021).

A fortieth measure consisting of direct grants to Alitalia of EUR 24.7 million to compensate the airline for the damages suffered on certain routes due to the coronavirus outbreak between 1 November and 31 December 2020 (26 March 2021).

A forty first measure consisting of aid in the form of direct grants and repayable advances. The aid will be open to mooring companies operating in Italian ports that have experienced a significant loss of revenue due to the sharp decline in passenger traffic. The maximum aid per beneficiary is capped at EUR 1.8 million and the total estimated budget of the measure is EUR 24 million (6 April 2021).

EU State Aid Approvals

A forty second measure consisting of aid in the form of direct grants to undertakings active in the field of publishing, including newspapers, established in Italy and which have a focus on tourism and art publications. The maximum aid per beneficiary is capped at EUR 1.8 million and the total estimated budget of the measure is EUR 12 million (8 April 2021).

A forty third measure consisting of aid in the form of direct grants to shipping undertakings operating with small ships in the tourist transport sector by sea and inland waterways. The aid is intended to compensate for the decrease in turnover between 1 February and 31 December 2020 with a maximum of EUR 1.8 million per beneficiary. The total estimated budget of the measure is EUR 10 million (14 April 2021).

A forty fourth measure consisting of a direct grant to Alitalia to compensate it for further damages suffered on certain specific routes from 1 to 31 January 2021 due to the emergency measures and travel restrictions necessary to limit the spread of the virus. The support amounts to EUR 12.835 million direct grant, which corresponds to the estimated damage directly caused to the airline in that period according to a route-by-route analysis of the eligible routes (12 May 2021).

A forty fifth measure consisting of aid in the form of direct grants to companies holding State-owned concessions, which manage passenger port terminals, irrespective of their size. The aid aims at compensating the loss of gross revenue between 23 February and 31 December 2020 compared to the same period in 2019 and is capped at EUR 1.8 million per undertaking. The total estimated budget of the measure is EUR 20 million (18 May 2021).

A forty fifth measure consisting of aid in the form of direct grants to companies operating in the road passenger transport sector by bus on medium and long-haul routes not providing Public Service Obligation services. The aid aims at compensating the loss of EBITDA between 23 February and 31 December 2020 compared to the same period in 2019 and 2018 and is capped at EUR 1.8 million per undertaking. The total estimated budget of the measure is EUR 20 million (27 May 2021).

Foreign Investment Restrictions

The Italian Government has extended the scope of the rules on foreign direct investment known as "Special Powers". In particular:

A. Based on the provisions of the Law Decree 8 April No. 23 (effective as of April 9, 2020) as subsequently implemented through Law 5 June 2020 No. 40 and Law 18 December 2020 No. 176:

1. The Special Powers now apply, not only to the previously covered sectors – such as defense, homeland security, telecoms, transportation and energy – but also to new industry sectors such as healthcare, food security, water, banking & finance, insurance, dual-use, critical technologies, etc. Change of control in such sectors will require the prior approval of the Italian Government.

The "new" industry-sectors are those identified in EU Regulation 452/2019 ("EU-Regulated Sectors"), as implemented in Italy through Law No. 133 of November 18, 2019, namely:

i. critical infrastructure (such as water, health, media, data processing or storage, electoral or financial infrastructure, and sensitive facilities);

ii. critical technologies and dual use items (including AI, robotics, semiconductors, cybersecurity, energy storage, quantum computing and nuclear technologies as well as nanotechnologies and biotechnologies);

iii. supply of critical input, including raw materials, as well as food security;

iv. access to sensitive information, including personal data, or the ability to control such information;

v. freedom and pluralism in the media;

vi. banking, finance and insurance sectors; and

vii. Production, import and distribution of medical and surgical devices and PPE.

Any individual or entity wishing to invest in the above sectors is subject to the Special Powers rules, even though the Government has not yet issued the implementing rules on the application of such enlarged Special Powers.

2. If the parties to a transaction involving a "strategic" company do not comply with the obligation to notify such transaction to the Government, not only sanctions will apply for failure to notify, but the Government will also be entitled to exercise the Special Powers automatically.

Foreign Investment Restrictions

3. Up to December 31, 2021, the Special Powers will apply also (i) to transactions within the European Union when, as a result of the transaction, the purchaser would acquire control of the Italian "strategic" company; and (ii) to extra-EU transaction when, as a result of the transaction, the purchaser would hold a participation in excess of 10% of the corporate capital of the "strategic" company, if the value of the transaction is in excess of EUR 1 million, and when the purchaser would hold participations in excess of 15%, 20%, 25% and 50%.

B. The Italian Government has recently issued implementing rules aimed at, among others, identifying those assets to be considered as "strategic" (for FIR purposes) within the EU-Regulated Sectors. These implementing rules were issued through Government Decree No. 179 dated 18 December 2020 and were published on the Italian Official Gazette on December 30, 2020. They will enter into force on January 14, 2021.

Debt

As a consequence of the COVID-19 emergency, the Italian Government has introduced, among others, the following measures to support businesses:

- Measures to help micro-enterprises and SMEs to repay their financial indebtedness *vis-à-vis* (i) banks, (ii) financial intermediaries; and (iii) other entities authorized to grant loans in Italy, due to the epidemiological emergency created by COVID-19.
- Possibility for lenders to seek access to the state guarantee (Fondo centrale di garanzia PMI (Central Guarantee Fund for SMEs), ("Fund") until 31 December 2021 for losses related to the above.
- Additional measures in order to support companies affected by the COVID-19 pandemic and particularly to ensure the necessary liquidity for companies with registered office in Italy affected by the COVID-19 pandemic, namely:

  SACE S.p.A. (i.e., the Italian Export Credit Agency, a joint stock company controlled by *Cassa Depositi e Prestiti S.p.A.*) on behalf of the Italian State, will grant, until 31 December 2021, guarantees up to a maximum amount of EUR 200 billion (out of which at least EUR 30 billion are intended to support small and medium-sized enterprises) in favor of banks, national and international financial institutions and other entities entitled to grant loans in Italy ("SACE Guarantee"). Such a guarantee is counter-guaranteed by the Italian State with a first demand guarantee (without recourse).
- The SACE Guarantee is a first demand and irrevocable guarantee that will guarantee, save for certain exceptions, loans granted to the companies for capital, interests and ancillary charges.

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt section above.

Additional legislative measures and modifications have also been made in respect of pre-bankruptcy, bankruptcy proceedings, restructuring and extraordinary administration arrangements and proceedings as follow:

Bankruptcy (*Fallimento*): According to Law Decree No. 23/2020 any request for bankruptcy filed by a creditor from 9 March to 30 June 2020 was not admissible. Only the applications filed by the public prosecutor to obtain precautionary or conservative measures to protect the assets or the business were deemed admissible.

Pre-bankruptcy composition (*Concordato Preventivo*): According to Law Decree No.23/2020:

- The deadline to perform the obligations related to the homologated pre-bankruptcy composition with creditors expiring between 23 February 2020 and 31 December 2021 is extended by six months.
- The debtor may amend the proposal to the creditors. In proceedings pending as of 23 February 2020, the debtor may request to be granted a period not exceeding 90 days for the amendment of the plan; such period will run from the date of the court's approval and is not subject to further extension. The request must be filed prior to the date of the hearing scheduled for the court's homologation of the pre-bankruptcy composition.
- The debtor may amend the deadlines for the completion of the pre-bankruptcy composition. In this case, the debtor may file, until the date of the hearing scheduled for the court's homologation, a memorandum setting out the new deadlines (which cannot exceed six months with respect to the original deadlines), accompanied by adequate documentation proving the need for said extension. If the judicial commissioner issues a favorable opinion, the court will proceed with the approval, expressly acknowledging the new deadlines.
- The debtor that has applied for the so-called "concordato in bianco" may be granted a further 90-day deadline to file the plan and proposal for the composition with creditors even if an application for bankruptcy is pending. In the request, the debtor must indicate the reasons of the requested extension with specific reference to the events that have occurred as a result of the COVID-19 emergency.

Restructuring & Insolvency

Debt restructuring arrangements / turnaround plans (*Accordi di Ristrutturazione dei Debiti / Piani di risanamento*): According to Law Decree No.23/2020:

- The deadline to perform the obligations related to the homologated debt restructuring agreements expiring between 23 February 2020 and 31 December 2021 is extended by six months.
- The debtor may amend the restructuring plan. In proceedings pending as of 23 February 2020, the debtor may request to be granted a period not exceeding 90 days for the amendment of the plan; such period will run from the date of the court's approval and is not subject to further extension. The request must be filed prior to the date of the hearing scheduled for the court's homologation of the restructuring plan.
- The debtor may amend the deadlines for the completion of the restructuring arrangements. In this case, the debtor may file, until the date of the hearing scheduled for the court's homologation, a memorandum setting out the new deadlines (which cannot exceed six months with respect to the original deadlines), accompanied by adequate documentation proving the need for said extension.
- A request for a 90-day extension may be filed by the debtor that was granted the deadline provided for by Article 182-bis, paragraph 7, of the Italian Bankruptcy Law.

Extraordinary administration (*Amministrazione Straordinaria*): According to Law Decree No. 23/2020 any request for extraordinary administration filed by a creditor from 9 March to 30 June 2020 was not admissible.

Only the applications filed by the public prosecutor to obtain precautionary or conservative measures to protect the assets or the business were deemed admissible.

In respect of all these arrangements and proceedings listed above, the Law Decree No. 23/2020 has postponed the entry into force of the insolvency law reform until 1 September 2021.

Equity

Support measures have been officially enacted. The Italian sovereign fund *Cassa Depositi e Prestiti* ("CDP") will create a dedicated fund to make investments, in compliance with EU regulation concerning state aid, in private and listed Italian companies (other than those operating in the banking, finance and insurance sectors) having an annual turnover higher than EUR 50 million. CDP will be able to make any kind of investment, e.g., equity, semi-equity, bonds, loans or other convertible instruments, but preferably convertible bonds and equity through subscription of capital increases.

In addtion, another dedicated fund has been announced that will be available until 31 December 2020, under which the Italian Government will invest in small and medium-sized companies (other than those operating in the banking, finance and insurance sectors or having an annual turnover higher than EUR 50 million) by purchasing semi-equity instruments (*strumenti finanziari partecipativi - SFP*). The fund's initial endowment will be EUR 4 billion for 2020.

Support measures have been officially enacted. The Italian sovereign fund *Cassa Depositi e Prestiti* ("CDP") will create a dedicated fund to make investments, in compliance with EU regulation concerning state aid, in private and listed Italian companies (other than those operating in the banking, finance and insurance sectors) having an annual turnover higher than EUR 50 million. CDP will be able to make any kind of investment, e.g., equity, semi-equity, bonds, loans or other convertible instruments, but preferably convertible bonds and equity through subscription of capital increases.

In addtion, another dedicated fund has been announced that will be available until 31 December 2020, under which the Italian Government will invest in small and medium-sized companies (other than those operating in the banking, finance and insurance sectors or having an annual turnover higher than EUR 50 million) by purchasing semi-equity instruments (*strumenti finanziari partecipativi - SFP*). The fund's initial endowment will be EUR 4 billion for 2020.

Taxation

Corporate income tax

1. Income tax payments For taxpayers which apply the Synthetic Indices of Reliability (so-called ISA) and suffered in the first semester of 2020 a revenues decrease of 33% in respect to the same semester of 2019, the deadline for the second (or unique) advance payment related to Income Tax and Regional Tax on operating revenues (hereinafter, "IRAP") due for the FY 2020 has been postponed to April 30, 2021.

   The postponing above applies, irrespective of the revenues decrease, to ISA taxpayer operating in the sectors most affected by lockdown and restrictions (e.g., cafes, sport clubs, swimming pools, gyms, spa. cinemas, theatres, restaurants, hotels, big stores, retail stores of non-essential goods; services for the person, etc.) and having their place of business in the Regions characterised by a high ("ORANGE zone") or maximum ("RED zone") seriousness scenario and a high level of risk according to an Order of the Minister of Health. Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone; while, Abruzzo, Basilicata, Liguria, Tuscany, Umbria, Puglia and Sicily are classified as ORANGE zone. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes.

2. Regional Tax on operating revenues (IRAP)

3. Payments of: (i) the IRAP balance referred to the FY 2019 (advance payments, if any, are still due); and (ii) the first instalment of the advance IRAP payment referred to the FY 2020 are not due.

   This provision is subject to the limitations and conditions provided by the "Temporary Framework" issued by European Commission for state aid measures in the COVID-19 context and applies to taxpayers carrying out business and self-employment activities whose revenues or fees for FY 2019 do not exceed EUR 250 million, with the exclusion of:

   - bank and other financial intermediaries, financial and non-financial holding companies;
   - insurance companies;
   - public administrations;
   - individuals, non-business partnership, entities and companies operating in the agricultural sector.

Taxation

Social security / Employment / Wage taxes / Personal Income Tax

1. Suspensions occurred in the last months Withholding tax on income from employment, social security contributions and mandatory insurance premiums due in March, April and May were been suspended applying the same criteria of VAT payments' suspensions (see paragraph below).

   For the tourism industry (and a number of other industries such as sport, schools, transportation. etc.) employment taxes and social security contributions that are due in March, April and May 2020 were suspended regardless of any turnover threshold.

   Withholding taxes on self-employment incomes shall not apply for taxpayers having their fiscal domicile, legal seat or place of business in the Italian territory and whose revenues or fees for FY 2019 do not exceed EUR 400,000, not having incurred any costs for employees in February 2020. The amount of withholding taxes not applied by the withholding agent had to be made, without interest and penalties, alternatively:

   - Within September 16, 2020 in their full amount;
   - In maximum 4 monthly instalments, starting from September 16, 2020;
   - For the 50% of their full amount, either in one instalment by September 16, 2020 or in a maximum of four monthly instalments starting from September 16, 2020. The remaining 50% shall be paid in a maximum of 24 monthly instalments of equal amount starting from January 16, 2021.

2. New suspensions

Employment taxes and social security contribution payments due in November 2020 are suspended for the following categories:

- Employers belonging to specific sectors most affected by lockdown and restrictions (for example, cafes, sport clubs, swimming pools, gyms, spa. cinemas, theatres, etc.) and having their place of business in Italy;
- Employers operating in the restaurant sector and having their place of business in the Regions classified as RED zone or ORANGE zone according to an Order of the Minister of Health Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone; while, Abruzzo, Basilicata, Liguria, Tuscany, Umbria, Puglia and Sicily are classified as ORANGE zones. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes;

Taxation

- Employers operating in sectors affecting by the last lockdown and restrictions (for example, big stores, retail stores of non-essential goods; services for the person, etc.) or in hotel and tour operator sector and having their place of business in the Regions classified as RED zone according to an Order of the Minister of Health. Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes.

  The payments shall be made by March 16, 2021, without the application of interest and penalties, in their full amount or in a maximum of four equal monthly instalments starting from March 16, 2021.

VAT

1. VAT payments suspended in the last months VAT payments due in March suspended for (i) companies with an annual turnover in 2019 not exceeding EUR 2 million and (ii) for companies engaged in specific industries more affected by COVID such as tourism. Such suspension will apply irrespective of any turnover threshold.

   VAT payments due in April and May suspended until September 16, 2020 for:

   i. Companies with annual revenues in 2019 not exceeding EUR 50 million and a decrease in turnover of at least 33% in March 2020 compared to March 2019 (for VAT due in April) and in April 2020 compared to April 2019 (for VAT due in May);

   ii. Companies with annual revenues in 2019 exceeding EUR 50 million and a decrease in turnover of at least 50% in March 2020 compared to March 2019 (for VAT due in April) and in April 2020 compared to April 2019 (for VAT due in May);

   iii. Companies incorporated or established after March 31, 2019, irrespective of any turnover threshold.

   Italian Tax Authorities specified that this measure is only applicable to companies that have their fiscal domicile, legal or administrative seat in the Italian territory, included Italian PE of foreign companies, foreign companies identified in Italy for VAT purposes and companies appointing an Italian tax representative.

   VAT payments of taxpayers having their fiscal domicile, legal seat or place of business in Bergamo, Cremona, Lodi and Piacenza provinces, the suspension shall apply regardless of the thresholds.

Taxation

All the suspended payments above had to be made, without interest and penalties, alternatively:

- Within September 16, 2020 in their full amount;
- In maximum 4 monthly instalments, starting from September 16, 2020;
- For the 50% of their full amount, either in one instalment by September 16, 2020 or in a maximum of four monthly instalments starting from September 16, 2020. The remaining 50% shall be paid in a maximum of 24 monthly instalments of equal amount starting from January 16, 2021.

2. New VAT suspensions

VAT payments due in November 2020 are suspended for the following categories:

- Enterprises belonging to specific sectors most affected by lockdown and restrictions (for example, cafes, sport clubs, swimming pools, gyms, spa. cinemas, theatres, etc.) and having their place of business in Italy;
- Enterprises operating in the restaurant sector and having their place of business in the Regions classified as RED zone or ORANGE zone according to an Order of the Minister of Health. Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone; while, Abruzzo, Basilicata, Liguria, Tuscany, Umbria, Puglia and Sicily are classified as ORANGE zones. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes;
- Enterprises operating in sectors affecting by the last lockdown and restrictions (for example, big stores, retail stores of non-essential goods; services for the person, etc.) or in hotel and tour operator sector and having their place of business in the Regions classified as RED zone according to an Order of the Minister of Health. Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes.

The payments shall be made by March 16, 2021, without the application of interest and penalties, in their full amount or in a maximum of four equal monthly instalments starting from March 16, 2021.

3. VAT on medical devices and personal protective equipment for COVID-19

Until December 31, 2020, transfer of medical devices and personal protective equipment for COVID-19 are VAT exempt with no limitation on input VAT deduction. Starting from January 1, 2021, such transfers will be subject to 5% VAT rate.

Taxation

Excise / Import duties

For companies that registered a decrease in turnover in the months of March and/or April 2020, payment of customs duties, due from 23.4.2020 to 8.5.2020, were extended by 30 days.

In addition, where payment involves serious economic or social difficulties and at the request of a party, payments of customs duties due between 1.5.2020 and 31.7.2020 were extended by 60 days, without application of penalties and interest.

Other taxes

1. Real estate tax (so-called IMU)For 2020, the first instalment of real estate tax (IMU) is not due with respect to:
   - buildings used for bathing and SPA
   - real estate properties in cadastral category D/2 and properties of farmhouses, holiday villages, hostels, mountain huts, sea and mountain colonies, short-stay rooms, holiday homes and apartments, bed & breakfast, residences and campsites, provided that the owners of the properties are also managers of the relevant activities
   - real estate properties in cadastral category D in use by companies carrying out the setting-up of exhibition structures in the context of trade fairs or exhibitions.

For 2020, the second instalment of IMU is not due for the following categories:

- Enterprises belonging to specific sectors most affected by lockdown and restrictions (for example, hotels, restaurants, cafes, sport clubs, swimming pools, gyms, spa. cinemas, theatres, etc.);
- Enterprises operating in sectors affecting by the last lockdown and restrictions (for example, big stores, retail stores of non-essential goods; services for the person, etc.) and having their place of business in the Regions classified as RED zone or ORANGE zone according to an Order of the Minister of Health. Up to the date of this document, Lombardy, Valle d'Aosta, Piedmont, Calabria, and the Province of Bolzano are classified as RED zone; while, Abruzzo, Basilicata, Liguria, Tuscany, Umbria, Puglia and Sicily are classified as ORANGE zones. Please note that such a classification depends on the trend of the epidemiological curve and is subject to periodic reviews and changes.

These measures apply only on property in which the above activities are carried out by the owner.

Taxation

Comments

Many Italian decrees issued in the context of COVID-19 provided, for the sectors most affected by lockdown and restrictions, some tax benefits in the forms of tax credits or non-refundable grants and contributions.

For instance, some of the available tax credits are as follows:

- Tax credit on rental fees of non-residential real estate and going concern;
- Tax credit on expenses for sanitisation and personal protective equipment;
- Tax credit on expenses for the adaptation of work environments and premises open to the public;
- Tax credit on advertising expenses;
- Tax credit on R&D expenses for COVID-19;
- Tax credit for the requalification and improvement of the tourist accommodation facilities.

General

1. Payments suspended in the last months

All the tax and social security's payment suspended in March, April and May (for further details, please see below in the relevant paragraphs) had to be made, without the application of penalties and interest, alternatively:

- Within September 16, 2020 in their full amount;
- In maximum 4 monthly instalments, starting from September 16, 2020;
- For the 50% of their full amount, either in one instalment by September 16, 2020 or in a maximum of four monthly instalments starting from September 16, 2020. The remaining 50% shall be paid in a maximum of 24 monthly instalments of equal amount starting from January 16, 2021.

Taxation

Deadlines for payments of amounts included in (i) notice of payments issued by Italian Collector Agents, (ii) tax assessments issued by the Italian Tax Authorities, Customs Authorities and local authorities that are immediately effective, (iii) debit notices issued by social security institutions, and (iv) injunctions of the local authorities, expiring between March 8, 2020 and October 15, 2020, are automatically suspended and shall be made in full by November 30, 2020.

For FY 2020, the yearly cap of tax and social security receivables that may be offset through the payment form (so-called "F24 form") against other tax or social security liabilities is increased to EUR 1 million (previously EUR 700,000).

2. Statute of limitation and tax notice's deadline

Without prejudice of the ordinary statute of limitation for the activities of the Tax Authorities, the deadline for serving taxpayers with the relevant tax notice is extended by one year. Therefore, tax assessments concerning FY 2015 will be issued by December 31, 2020 but the relevant tax notice shall be served to taxpayers within December 31, 2021. Also FY 2014 will be included in the extension mentioned above, only in the case of omitted filing of the relevant tax return. For the period between January 1, 2021 and the date of notification of such notices, no interest applies.

3. Rules for the hearings to be held in Regional or Provincial tax court

The last decree issued laid down that the President of the regional or provincial tax court can authorize, at least 5 days before the hearing, that both public or in chamber hearings are held totally or partially remotely, provided that tax courts have access to the necessary equipment to the extent of the technical and financial resources available.

If the hearing cannot be held remotely, a decision will be made by the tax court without a hearing, based only on written documents. In this case, the hearing is replaced by the exchange of final notes and replies to be filed by the parties not before, respectively, ten and five days before the date of the hearing. If there is not the possibility to comply with these terms, the case is definitively postponed.

However, one of the parties can notify to the other parties a request for the discussion to be filed at least two days before the date of the hearing. In case the request is filed but the hearing cannot be held remotely, a "discussion" on written documents, as explained above, applies.

4. Postponing of tax fulfilments

Withholding agents can file withholding tax returns (so called "770 Form"), for FY 2019, until December 10, 2020, instead of October 31, 2020.

Italy

Taxation

To read more about this topic, please see this alert:

Tax incentive to mitigate the economic impact of COVID-19

Extraordinary measures to minimize the impact of COVID-19 on tax litigation activities - follow-up

Review of the Italian Tax Police's operations during the state of emergency

Measures aimed at supporting the economy during the COVID-19 emergency have been enacted - Decree no. 139/2020 "Ristori-bis"

The Italian Budget Law has entered into force - new employment related provisions

Kazakhstan

Foreign Investment Restrictions

No new measures have been announced in response to COVID-19.

Debt

On 20 May 2020, the Government approved a Comprehensive Plan for the Recovery of the Economy through the End of 2020 (the "Recovery Plan"). The Recovery Plan provides for certain stabilization and support measures for businesses worth approximately USD 13.4 billion, including the following:

- credit facilities, subsidies and guarantees for small- and medium-sized enterprises ("SMEs"), as well as larger companies in certain priority (and eligible) industries; and
- deferral on loan repayments from banks and subsidized loans for SMEs.

Credit facilities, subsidies and guarantees for SMEs and larger companies

The largest measure is a package of KZT 1 trillion (approximately USD 2.4 billion) of loans, subsidies and guarantees to businesses. It is made available through the state-owned Damu Development Fund ("Damu") pursuant to the existing framework approved by the Government on 11 December 2018 and most recently updated on 20 April 2020. The support will be delivered in the form of credit facilities, interest rate subsidies and state guarantees and already has been launched.

The key parameters of the support are as follows:

- Eligible entities. The support is available to companies (both SMEs and larger companies, including foreign-owned) realizing projects in certain priority (and eligible) industries, such as agriculture, health, tourism and leisure, construction, manufacturing and petrochemical production. Airlines and airports are not eligible for support.
- Eligibility requirements. There is no minimum annual turnover or balance sheet requirement for companies wishing to benefit from the support measures. Companies do not need to show that they do not have access to any other form of financing. However, certain basic requirements will apply, such as the absence of overdue debts. In addition, a company will need to demonstrate that jobs will be preserved, as well as (in certain cases) a minimum of 10% increase in volumes of production and taxable income will be achieved within a certain period of time after receiving the funding.

Kazakhstan

Debt

Instruments of financing:

- Credit facility. A credit facility will be granted in KZT and priced at a rate not exceeding 15% per annum (which generally is in line with the prevailing market rate). The facility will have maturity of up to ten years. There is no maximum facility size per borrower or project, but where the facility exceeds KZT 10 billion (approximately USD 24.3 million), prior approval from the competent authority (supervising the industry in which the project is implemented) must be obtained.
- Interest rate subsidies. The financing also can be provided in the form of interest rate subsidies, i.e., where there is a bank facility priced at a rate not exceeding 15%, the state will cover up to 9% of interest payments, with the remaining 6% to be paid by the company. The state will cover interest payments for a certain period of time not exceeding three years (in case of working capital facilities) or 10 years (in case of facilities granted to finance projects). Interest rate subsidies are available for both existing and new facilities (including revolving facilities).
- State guarantees. Damu also will issue guarantees of up to 50% of facilities below KZT 3 billion (approximately USD 7.3 million) or up to 30% of facilities above KZT 3 billion, but not exceeding KZT 5 billion (approximately USD 12.1 million).

Deferral on loan repayments from banks for SMEs

For SMEs, all financial institutions and microcredit organizations in Kazakhstan are required to offer a three-month deferral of interest payments and repayment of principal. This will apply to existing facilities and provide support to smaller companies operating in certain industries that are particularly affected by the pandemic, including tourism, sport, hospitality, passenger transportation and entertainment businesses such as restaurants and cinemas.

There will be no fee for SMEs to access the deferral on loans. Companies must apply for loan deferrals to their lending banks not later than 15 June 2020.

Subsidized loans for SMEs

KZT 600 billion (approximately USD 1.5 billion) is available as subsidized loans for smaller companies, of which KZT 160 billion (approximately USD 388 million) already has been disbursed. This is implemented by the state-owned Kazakhstan Sustainability Fund (the "KSF") pursuant to the framework approved by the NBK on 19 March 2020. The program is intended to provide working capital funding to SMEs so that they can pay employee wages, taxes and purchase price to suppliers.

Kazakhstan

Debt

The key parameters of loans are as follows:

- Eligible entities. SMEs will be able to access the funding, provided they are incorporated in Kazakhstan, have no outstanding overdue loans, and are not affiliated with the bank advancing the loan or the state-controlled companies. There are no particular types of industries covered under the program, so a company should be eligible to apply regardless of industry.
- Pricing and other terms. The loans will be priced at 8% per annum which is lower than the prevailing rates available in the market. The loans will have a maturity not exceeding 12 months. The funds made available to borrowers must be used for certain specified purposes, such as paying employee wages, taxes and suppliers, and cannot be used to pay dividends, etc.

Application process

Liaise with your own bank or any other Kazakhstani bank that participates in the program. Please also see the corporate web-site of Damu at www.damu.kz (in Russian) for credit facilities, subsidies and guarantees for SMEs and larger companies.

Restructuring & Insolvency

No new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

Tax holidays have been granted to certain types of business (e.g., airlines, airports, hotels, movie theatres, etc.) due to COVID-19.

Equity

No (semi-) equity support measures have been announced.

Luxembourg

EU State Aid Approvals

First measure consisting of an aid scheme aimed at supporting companies, as well as liberal professions, in the form of a repayable advance granted in one or more instalments to allow beneficiaries to face their operating costs in the difficult situation caused by the coronavirus outbreak. Total budget estimated at EUR 300 million (24 March). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019, as well as an increase of the repayable advance to max EUR 800,000 and further technical amendments (30 July). The scheme was further amended to extend its period of application to 30 June 2021 (24 November). The scheme has been amended to update the applicable cumulation rules and to extend the period of application to 31 December 2021 (23 April 2021).

A second measure consisting of a guarantee scheme applicable to all companies, except those active in the promotion, renting and sale of building as well as holding of investments. It enables the granting of guarantees on loans at favourable terms to help businesses cover immediate working capital and investment needs. Total budget estimated at EUR 2.5 billion (27 March). The scheme was amended to extend its period of application to 30 June 2021 (2 December).The scheme has been amended to update the applicable cumulation rules and to extend the period of application to 31 December 2021 (23 April 2021).

A third measure consisting of an aid scheme to support coronavirus related research and development (R&D) and investments in the production of products relevant to the coronavirus outbreak. The total estimated budget is EUR 30 million (8 April). The scheme has been amended to increase the total budget to EUR 55 million (22 December).

A fourth measure consisting of aid in the form of direct grants of maximum EUR 800,000 to undertakings (SMEs and large enterprises) that intend to continue their investment projects that were interrupted due to the COVID-19 outbreak. The estimated budget is EUR 30 million (20 May). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019, as well as further technical amendments (30 July). The scheme was further amended to extend its period of application to 30 June 2021, change the eligibility conditions and increase the budget to EUR 50 million (25 November). The scheme has been amended to increase the total budget to EUR 125 million (22 December). The scheme has been amended to update the applicable cumulation rules, to increase the maximum aid amount per beneficiary to EUR 1.8 million and to extend the period of application to 31 December 2021 (23 April 2021).

A fifth measure consisting of a scheme providing direct grants for undertakings (SMEs and large enterprises) operating businesses particularly affected by the COVID-19 outbreak (e.g., restaurants, bars, clubs, fitness studios, movie theatres). The estimated budget is EUR 200 million (29 May). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019, as well as further technical amendments (30 July). The scheme was further amended to extend its period of application to 30 June 2021 (24 November).

Luxembourg

EU State Aid Approvals

A sixth measure consisting of a scheme providing direct grants for SMEs active in the retail trade. The estimated budget is EUR 60 million (29 May). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019, as well as further technical amendments (30 July). The scheme was further amended to extend its period of application to 30 June 2021 (24 November).

A seventh measure consisting of a scheme providing repayable advances (max. EUR 250,000) and direct grants (max. EUR 50,000) for audio-visual production companies active in Luxembourg affected by the economic repercussions of COVID-19 and having temporary financial difficulties. The estimated budget is EUR 7 million (18 June).

An eight measure consisting of a reinsurance scheme for trade credit insurers. The total estimated budget is EUR 145 million (1 July).

A ninth measure consisting of aid in the form of direct grants covering up to 70% (90% in case of small undertakings) of uncovered fixed costs. Beneficiaries are companies which faced a decline in turnover of at least 40% during the months of November 2020 to March 2021 and aid is capped at EUR 1 million per beneficiary. The total estimated budget is EUR 120 million (24 November). The measure has been amended to include retail stores as possible beneficiaries as well as increasing the support to 100% of the uncovered fixed costs (8 January 2021).
The measure has been further amended to adjust the eligibility period to November 2020 to January 2021 and to create a new eligibility period from February 2021 to June 2021 with a broader group of potentially eligible companies but a lower cap of maximum support of EUR 300,000 (26 February 2021). Some further technical amendments have been introduced (20 May 2021).

A tenth measure consisting of aid in the form of direct grants to companies operating in certain sectors that continue experiencing a decrease in turnover of at least 25% because of the coronavirus outbreak. Sectors include hotel and camping, restaurant and catering services, travel and event organisation agency services, retail trade or vocational training. The aid per beneficiary is maximum EUR 800,000 and the total estimated budget of the scheme is EUR 60 million (24 November). The measure has been amended to extend the period of application to 31 October 2021 and to introduce some further technical changes (2 March 2021).

An eleventh measure consisting of direct grants of maximum EUR 350,000 to SME's active in the conditioning and commercialisation of seed, based in Luxembourg and entered in the national commercial register. The total budget of the measure is estimated at EUR 500,000 (17 December).

A twelfth measure consisting of direct grants of maximum EUR 20,000 per trimester to pig farmers. The total budget of the measure is estimated at EUR 1 million (18 March 2021).

Luxembourg

Foreign Investment Restrictions

On 7 May 2020, a new draft law establishing a framework for screening foreign direct investments (FDI) in Luxembourg in order to protect strategic sectors, was submitted to the Luxembourg Parliament.

The draft law provides (i) a notification procedure to be carried out by the investor before making an investment in an enterprise established in Luxembourg, (ii) sanctions in case of non-compliance by the investor of the screening procedure and (iii) judicial redress against screening decisions.

The draft law contains a non-exhaustive list of relevant factors that may be taken into consideration to determine whether an FDI is likely to affect security and public order or national or European essential interests (Screening Factors).

The Screening Factors may include the potential effects on, inter alia, (i) critical infrastructure (including energy, transport, water, health, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructure and sensitive facilities), (ii) critical technologies and dual use items, (iii) supply of critical inputs (including energy or raw materials), (iv) sensitive information (including personal data, or the ability to control such information) and (v) freedom and pluralism of media.

The context and the circumstances of the FDI may also be taken into consideration, in particular (i) whether a foreign investor is directly or indirectly controlled by the government of a third country, including through ownership structure or significant funding, (ii) whether the foreign investor has already been involved in activities affecting security and public order or national or european essential interests or (iii) whether there is a serious risk that the foreign investor engages in illegal or criminal activities.

Debt

The Luxembourg Government and the Luxembourg tax authorities adopted a series of measures to support Luxembourg businesses suffering from the COVID-19 lockdown, facilitate bank financing and defer payments linked to tax deadlines such as,

Repayable financial aid granted to support businesses (large, medium-sized and small companies), including natural persons carrying out their activities as their main activity and in self-employment, experiencing temporary financial difficulties as a result of the COVID-19 crisis and to cover operating costs (personnel expenses and rental costs (rent plus charges) of the business for the months falling within the period from 15 March 2020 to 15 May 2020. The aid can amount up 50% of the admissible expenses without exceeding EUR 500,000 per business (including a group comprising the applicant business and connected undertakings);

Luxembourg

Debt

State guarantee scheme for new bank loans granted by credit institutions between on 18 March and 31 December 2020 for companies, and self-employed experiencing temporary financial difficulties as a result of the COVID-19 crisis and for a maximum duration of 6 years, under certain conditions provided by the law of 18 April 2020 aiming to set up a guarantee scheme in favor of the Luxembourg economy in the context of the COVID-19 pandemic;

The Société Nationale de Crédit et d'Investissement (SNCI), a public-law banking institution specialized in medium and long term financing of Luxembourg based companies, putted in place a "Special Anti-Crisis Financing – SACF", for a maximum total amount of 400 million euros for Luxembourg SMEs and large companies which possess a business permit, with a view to financing any exceptional needs that have arisen in light of the COVID-19 crisis, for financing decisions taken until 31.12.2020. This is indirect financing via the company's usual bank - the SNCI finances

The Luxembourg Government and the Luxembourg tax authorities adopted a series of measures to support Luxembourg businesses suffering from the COVID-19 lockdown, facilitate bank financing and defer payments linked to tax deadlines such as,

Repayable financial aid granted to support businesses (large, medium-sized and small companies), including natural persons carrying out their activities as their main activity and in self-employment, experiencing temporary financial difficulties as a result of the COVID-19 crisis and to cover operating costs (personnel expenses and rental costs (rent plus charges) of the business for the months falling within the period from 15 March 2020 to 15 May 2020. The aid can amount up 50% of the admissible expenses without exceeding EUR 500,000 per business (including a group comprising the applicant business and connected undertakings);

State guarantee scheme for new bank loans granted by credit institutions between on 18 March and 31 December 2020 for companies, and self-employed experiencing temporary financial difficulties as a result of the COVID-19 crisis and for a maximum duration of 6 years, under certain conditions provided by the law of 18 April 2020 aiming to set up a guarantee scheme in favor of the Luxembourg economy in the context of the COVID-19 pandemic;

The Société Nationale de Crédit et d'Investissement (SNCI), a public-law banking institution specialized in medium and long term financing of Luxembourg based companies, putted in place a "Special Anti-Crisis Financing – SACF", for a maximum total amount of 400 million euros for Luxembourg SMEs and large companies which possess a business permit, with a view to financing any exceptional needs that have arisen in light of the COVID-19 crisis, for financing decisions taken until 31.12.2020. This is indirect financing via the company's usual bank - the SNCI finances up to 60% of the required amount, provided that the bank finances 40%;

Luxembourg

Debt	Cancellation of the first and/or second quarterly advances for 2020. This concerns income tax (of firms) and municipal business tax. On 25 March 2020, the Luxembourg government adopted a Grand-Ducal Regulation suspending the time-limits in jurisdictional matters and temporarily adapting certain other procedural conditions, which was amended on 1 April 2020. This Grand-Ducal Regulation provides a suspension of the obligation to make an admission of cessation of payments leading to bankruptcy ("*aveu de faillite*") during the state of crisis declared by the Luxembourg Government until 24 June 2020, following the adoption of a Grand-Ducal Regulation dated 18 March 2020 and a law dated 24 March 2020. On 6 April 2020, a new draft law n° 7552 was submitted to the Luxembourg parliament in order to extend the above-mentioned period of suspension of two months after the state of crisis and cover bankruptcy claims on assignment against companies.
Restructuring & Insolvency	On 25 March 2020, the Luxembourg government adopted a Grand-Ducal Regulation suspending the time-limits in jurisdictional matters and temporarily adapting certain other procedural conditions, which was amended on 1 April 2020. This Grand-Ducal Regulation provides a suspension of the obligation for managers of Luxembourg companies to file for bankruptcy within 30 days of the cessation of payments (aveu de faillite), during the state of crisis declared by the Luxembourg government until 24 June 2020, following the adoption of a Grand-Ducal Regulation dated 18 March 2020, and a law dated 24 March 2020. On 20 June 2020, the Luxembourg Parliament adopted a new law extending this period of suspension after the end of state of crisis for a six-month period. This law was published in the Luxembourg official gazette on 24 June 2020 and entered into force on 25 June 2020. On 6 April 2020, a new Draft Law (No. 7552) was submitted to the Luxembourg parliament in order to cover bankruptcy claims on assignment against companies. This Draft Law is still pending before the Luxembourg Parliament.
Equity	No (semi-) equity measures have been announced.

Taxation

Corporate income tax

On 17 March 2020, the Luxembourg government announced supportive measures for corporate taxpayers, independents as well as individuals suffering cashflow difficulties because of the COVID-19 Pandemic (for further reading, click here). On the same day, the Luxembourg tax authorities (*Administration des Contributions Directes – the "ACD"*) released some practical guidance in a Newsletter. Taxpayers are allowed to request:

- A cancellation of the 2020 1st or/and 2nd quarterly advances for (corporate) income tax and municipal business tax, (Tax advance Cancellation Request Form). Note that net wealth tax quarterly advances are not covered by the present measure. Instead of a cancellation, a taxpayer is allowed to simply reduce the advances. In that latter case, the taxpayer should contact the relevant tax office through a motivated written request.
- A 4-month extension of the payment deadline for corporate income taxes and net wealth taxes due after 29 February 2020 without penalties for late payment (Tax Payment deadline extension Request Form).

Those requests should be filed online or sent through the mail or via email to divinsimp@co.etat.lu. They will be automatically accepted and each taxpayer should receive written confirmation. Alternatively, the taxpayer could fill in the online forms for Tax Advance Cancellation Request and Tax Deadline Extension Request available as from 23 March 2020 on the ACD's website to the extent the tax office is identified.

The deadline for filing individual and corporate tax returns is postponed to 30 June 2020. Same date should be considered to cancel or amend the choice to be subject to tax on a standalone basis. This change has been enacted in the Law of 12 May 2020 adapting certain deadlines in tax, financial and budgetary matters in the context of the COVID-19 pandemic.

In a Newsletter dated 29 July 2020, the Luxembourg tax administration provided some details on the implementation of the above mentioned measures.

- In the event of a tax advance cancellation request, any underlying interest on late payment, which has already been calculated, will also be canceled. Following such a cancellation, the advances will no longer be due and therefore no interest will be charged. When assessing income for the year 2020, a tax rate will be determined, taking into account the profit actually made, and this will be payable in accordance with the usual terms and deadlines. It should be noted that in the absence of tax advance cancellation request and in the event of non-payment of advances, interest on late payments will be due.

Taxation

- The tax deadline extension request, introduced after the due date, will allow to pay the amount of taxes due by means of a single payment which will take place 4 months after the due date indicated on the statement (s) that was / were sent together with the tax assessment (s) without any interest being charged. Taxpayers who have erroneously assumed that the four-month period announced by the newsletter of 17 March 2020 would be granted automatically without request and who have paid off the debt may, in the event that interest has been charged, request a refund of this interest by downloading the corresponding model and returning it, duly completed and signed, to the following address:

  Madame le Directeur des contributions

  L - 2982 Luxembourg

  In the absence of request and in the event of non-payment of the tax balance due, late interest will be due.

- Deadline extended for DAC 6 and FATCA / CRS reporting

On 4 June 2020, the Luxembourg government announced that pursuant to an agreement reached by EU Member States, the deadlines for DAC 6 (EU directive on mandatory reporting for certain cross-border transactions) and under the common reporting standard (CRS) regime are postponed in response to the coronavirus (COVID-19) pandemic.

With the postponed deadlines, an additional three months is provided to submit FATCA/CRS reporting for the year 2019, and an extra six months for DAC 6 (i.e., as from 1 January 2021). The bill of law n°7625 introducing these changes has been adopted on 24 July 2020 (Memorial N° 638).

- Suspension of time limits in judicial matters

On 25 March 2020, the Government decided to suspend, the time limits for proceedings before the administrative courts. In that respect, time limits for complaints, within the meaning of paragraph 228 of the amended General Tax Law of 22 May 1931 ("Abgabenordnung") are suspended until 30 June 2020.

In the same way, the time limits for formal hierarchical appeal, within the meaning of paragraph 237 of the amended General Tax Law of 22 May 1931 ("Abgabenordnung") are suspended until 30 June 2020.

The bill of law 7555 of 7 April 2020 introducing these changes has been adopted (Law of 12 May 2020 adapting certain deadlines in tax, financial and budgetary matters in the context of the COVID-19 pandemic).

Taxation

Social security / Employment / Wage taxes / Personal Income Tax

French individual cross-border workers

On 19 March 2020, the French and Luxembourg authorities declared that the current situation linked to the coronavirus constitutes a case of force majeure. Therefore, it was agreed that from Saturday 14 March 2020, the presence of a French resident crossborder worker exercising his/her activity from home in France should not be taken into account in the calculation of the 29-day rule (i.e., maximum number of days that a French resident working in Luxembourg is entitled to spend abroad for work while not being subject to tax in France on Luxembourg sourced employment income) as foreseen in the Protocol to the Double Tax Treaty signed between France and Luxembourg in 2018. This measure is applicable until further notice and additional information in this respect should be provided shortly. For further reading, click here.

On 16 July 2020, the tax authorities of Luxembourg and France concluded two agreements concerning the taxation of French residents working in Luxembourg, including workers who are working in Luxembourg because of the coronavirus (COVID-19) pandemic. The two agreements provide clearer guidance on calculating the 29-day threshold and recognize the COVID-19 pandemic as a 'force majeure' that is exempt from the 29-day threshold calculation.

On 21 October 2020, the Luxembourg tax authorities released a Circular (Circulaire L.G. - Conv. D.I. n°62 du 21 octobre 2020) on the agreement concluded between France and Luxembourg with respect to the tax treatment of cross border workers in a COVID context. Force majeure applies as from 14 March 2020 up to 31 December 2020. During this period, work performed in their country of residence (i.e., not in Luxembourg) is considered as being performed in Luxembourg for tax purposes.

Belgian individual cross-border workers

On 19 May 2020, an Agreement was reached between Luxembourg and Belgium regarding cross-border workers during the COVID 19 context. For the purposes of Article 15, paragraph 1 of the Double Tax Treaty signed between Luxembourg and Belgium, the working days for which remuneration was received and during which the employment was carried out at home (working days at home) solely because of the measures taken to fight the pandemic by both governments, will be deemed to be performed in the Contracting State in which the cross-border worker would have work without the specific COVID 19 measures. This agreement is applicable for the period from 11 March 2020 to 30 June 2020. From 1 July 2020, the application of the agreement will be extended until the end of each month if the two competent authorities agree in. written at least a week before the start of the month

Luxembourg

Taxation

On 21 October 2020, the Luxembourg tax authorities released a Circular (Circulaire L.G. - Conv. D.I. n°63 du 21 octobre 2020) on the agreement concluded between Luxembourg and Belgium with respect to the tax treatment of cross border workers in a COVID context. Force majeure applies as from 11 March 2020 up to 31 December 2020. During this period, work performed in their country of residence (i.e., not in Luxembourg) is considered as being performed in Luxembourg for tax purposes.

German individual cross-border workers

Following similar agreements reached with France and Belgium last month, Luxembourg has reached an agreement with Germany concerning teleworking during the current COVID-19 pandemic.

According to a press release dated 2 April 2020, the German and Luxembourg authorities have agreed that working days in which workers work remotely from their main place of residence as a result of measures to fight the pandemic can be deemed as working days in the country in which the work would normally have been carried out (Luxembourg).

The working days in which German cross-border workers work from home during the COVID-19 pandemic will thus not be counted within the 19-day tax limit, which was set out in an agreement entered into between Germany and Luxembourg in May 2011.

This measure is applicable from 11 March 2020 and until further notice. The exact modalities for the application of this agreement will be communicated at a later date

On 21 October 2021, the Luxembourg tax authorities released a Circular (Circulaire L.G. - Conv. D.I. n°64 du 21 octobre 2020) on the agreement concluded between Luxembourg and Germany with respect to the tax treatment of cross border workers in a COVID context. Force majeure applies as from 11 March 2020 up to 31 December 2020 and will be automatically prorogated month by month until its denonciation by the competent authorities. During this period, work performed in their country of residence (i.e., not in Luxembourg) is considered as being performed in Luxembourg for tax purposes.

VAT

With respect to VAT, the VAT authorities (*Administration de l'Enregistrement, des Domaines et de la TVA,* the "AEDT") have started to reimburse all VAT credit balances below EUR 10,000 as of 16 March 2020. This is a measure answering the liquidity needs of approximately 20,000 Luxembourg companies, the Luxembourg government said.

Luxembourg

Taxation

In addition, the Luxembourg VAT authorities communicated on 7 April 2020 that they accept, upon request, additional deadlines to settle VAT payments. The Luxembourg taxpayers were entitled to benefit from this measure if:

- They were financially impacted by the COVID-19 crisis;
- They wished to benefit from the tax measures granted by the Government in order to handle the spread of COVID-19.

The Luxembourg VAT authorities did not clarify in their communication issued on 12 May 2020 whether the grant of an additional deadline to settle VAT payments is still accepted. Taxpayers aiming to benefit from this measure might contact the Luxembourg VAT authorities and the latter shall in principle decide on a case-by-case basis.

Excise / Import duties

Simplified procedure to produce hydro-alcoholic remedies has been communicated by the Luxembourg customs authorities.

Until the end of the pandemic crisis, the Luxembourg customs authorities have implemented some measures to facilitate the import of individual protective masks.

The Luxembourg customs authorities have published an indicative list of goods benefiting from an exemption of import duties and VAT:

For further information, please click here.

Other Taxes

- Tax exempt COVID-19 financial incentive for companies employing between 10 and 20 people (full-time employees and employees).
  The emergency compensation for companies employing between 10 and 20 people is granted by the Minister for the Middle Classes in the form of a single lump sum capital grant of EUR 12,500. The compensation is tax exempt (Grand-Ducal regulation of 24 April 2020 published in *Memorial A* n ° 328 of 2020).
- Tax exempt COVID-19 financial incentive for micro-enterprises employing less than 10 people (full-time and part-time employees)
  A certified emergency allowance and an additional emergency allowance are granted to certain micro-enterprises employing less than 10 people by the Minister for the Middle Classes in the form of a lump sum capital grant of EUR 5,000. They are exempt from taxes (grand-ducal regulation of April 24, 2020 amending the grand-ducal regulation of March 25, 2020 published Memorial A n ° 187 and A n ° 329 of 2020).

Luxembourg

Taxation

- Tax exempt COVID-19 financial incentive for the self-employed
  The compensation for the self-employed is granted by the Minister for the Middle Classes in the form of a single lump-sum capital grant of 2,500 euros per self-employed person. It is exempt from taxes (grand-ducal regulation of April 29, 2020 amending the grand-ducal regulation of April 8, 2020 published in Memorial A n° 261 and 339 of 2020).

A new additional emergency aid of EUR 3,000, 3,500 or 4,000 euros has been set up for the self-employed (Grand-Ducal regulation of 6 May 2020 published in Memorial A n ° 364 of 2020).

- Tax exempt COVID-19 financial incentive for Publishers of Publications
  The Minister of Communications and Media grants a compensation of EUR 5,000 euros per full-time equivalent professional journalist bound to the publisher by an indefinite contract and assigned to the production of editorial content for the publication. The maximum amount paid to a single enterprise is limited to EUR 200,000. The compensation is tax exempt (Grand-Ducal regulation of 6 May 2020 published in Memorial A n ° 365 of 2020).

Additional information on the Luxembourg economic stabilization program may be found on the site covid19.lu.

- WHT on savings income for Luxembourg resident individuals: extension of deadline
  Regarding the income allocated for the 2019 tax year, the deadline set for the levy method's options available to beneficial owner provided for in Article 6 bis, 2 of the amended law of 23 December 2005 introducing a final withholding tax on certain interest income realized by qualifying Luxembourg resident individuals (initially 31 March) is fixed at 30 June 2020.

- Deadline of the extension deadline for income tax assessment and municipal business tax assessment for individuals extended
  The deadline set under paragraph 167, paragraph 4 last sentence, of the amended general tax law of 22 May 1931 ("Abgabenordnung") and beyond which an extension of the deadline for filing tax assessments for individuals and municipal business tax is not permitted (initially 30 June) is extended until 31 December 2020.

The bill of law 7555 of 7 April 2020 introducing the last two changes has been adopted (Law of 12 May 2020 adapting certain deadlines in tax, financial and budgetary matters in the context of the COVID-19 pandemic).

Comments

Content last updated 13 November 2020.

Morocco

Foreign Investment Restrictions

Launch of an online platform called "SMART" for:

- requests for special authorizations for any foreign exchange transaction not expressly defined or provided for in the provisions of foreign exchange regulations (e.g., opening of foreign accounts by residents, etc.).
- ability to file electronic reporting of foreign exchange transactions.

Debt

During the COVID-19 Pandemic period, Moroccan authorithies, in collaboration with banks have launched several debt relief measures in order to help companies impacted by the current crisis. Please find below a brief overview of these measures.

I. Debt relief measures implemented by the Moroccan Banks Association

The Moroccan Banks Association has announced several debt relief measures to be implemented by the banks during this COVID-19 period. These measures are the following:

1. For companies requesting it, banks will grant a 3 months postponement period (renewable), for their medium and long-term loans deadlines.
2. Banks will also cover working capital needs of companies ("*besoins en fonds de roulement*"). As such, to enable companies to cope with activities and cash flows reductions, banks will grant extensions for their current operations: loans, refinancing.
3. Banks will also grant all their clients requesting it in writing 3 months postponement (renewable once) of payment deadlines relating to their amortizable maturities (real estate and consumer loans).

   Please note with respect to items (1), (2) and (3) that assessment of postponement / loans attribution is based on a case-by-case analysis.
4. Bank Al Maghrib (the Moroccan banking regulator) has ensured that the supply of fiduciary money will continue. Bank Al Maghrib has also decided to reduce its key interest rate by 25 basis points. It is therefore now set at 2%.

Debt

II. Damane Oxygen

As of today, Damane Oxygen represents a debt relief guaranteed by the state during this Pandemic period.

(a) Brief description of the mechanism (aim, purposes and entities involved

Damne OXYGEN was created under the initiative and control of the Minister of Finances in response to the COVID-19 crisis. It aims at mobilizing financing resources in favor of companies whose cash flow has deteriorated due to COVID-19 pandemic and related crisis. It covers 95% of the amount of the credit granted by the banks to companies during this period. Thus, it enables banks to quickly set up exceptional overdrafts to finance the working capital requirements of applying companies.

Damane Oxygen is intended for very (a) small and medium sized companies impacted by the crisis and whose annual turnover is not exceeding MAD 200 million but also for (b) companies whose annual turnover is between MAD 200 million and MAD 500 million and whose activity was impacted by the crisis. The mechanism have been evolving recently in order to include companies operating in the real estate sector as well.

For companies without short-term financing lines, this exceptional overdraft can amount to up to MAD 5 million.

The Moroccan insurance sector has contributed to MAD 100 million to the Damane Oxygen mechanism.

(b) Eligibility criteria and application procedure

Companies whose turnover amount is (i) equivalent or beneath MAD 200 million or whose turnover is between MAD 200 million and MAD 500 million, (ii) who are impacted by crisis and (ii) whose cash flow has deteriorated due to the COVID-19 crisis, may apply by sending a Daman Oxygen loan request letter to their banks. Such request shall include documentation attesting of the companies fixed expenses (salaries, rent, water and electricity bills, etc.). The bank then grants a transfer authorization to cover three months of expenses. (i.e., April, May and June).

(c) Interest rates applying and Loan reimbursement

The reimbursement of the loan can be performed until the end of the year and can be extended up to 5 years depending on the case and on the company's current situation.

Interest rate applying to these loans amounts to 4%, plus a guarantee commission of 0.1% per year.

Morocco

Debt

(d) Overdrafts' limitations

Exceptional overdraft intended to meet current expenses that cannot be deferred or suspended by the company may be granted. This overdraft cannot be used to absorb overruns on the line, in any case. The amount of the overdraft granted represents a maximum of 20% of the existing operating lines (or of the lines to be implemented) within the limit of MAD 20 Million.

In the event that (i) the overdraft granted represents more that 20% of the existing operating lines and (ii) does not cover 3 months of current fixed expenses, the overdraft limit line will then correspond to the amount of the expenses incurred during such 3 months.

For companies without operating overdraft lines, the bank may grant an exceptional overdraft within the limit of MAD 5 million in order to cover 3 months of current expenses. The amounts to be withdrawn from this overdraft will have to be paid out after exhaustion of the granted operating lines by disbursement. They must also be used progressively and until June 30th , 2020, upon presentation of supporting documents and/or in the hands of the beneficiaries.

To read more about this topic, please see this alert: New specific measures implemented in Morocco

Restructuring & Insolvency

All judicial claims and the time limits relating thereto are suspended until the end of the state of health emergency scheduled for 10 July 2020.

The COVID-19 pandemic will likely be considered as force majeure event exempting from liability. It is generally declared as such for public procurement contracts, subject to a case-by-case study.

Equity

No (semi-) equity measures have been announced.

Netherlands

EU State Aid Approvals

First measure approved with a total estimated budget of EUR 23 million. The scheme provides direct grants of max. EUR 50,000 per project (and max. 2 project per company) to support certain providers of social support and health care in offering services at home during the coronavirus outbreak. (7 April)

A second measure consisting of a loan guarantee scheme (GO-C guarantees) for SMEs and large undertakings to meet liquidity needs of the companies in the context of the coronavirus outbreak. Total budget estimated at EUR 10 billion (22 April). The scheme has been amended to extend the period of application to 30 June 2021 (11 December). The scheme has been further amended to extend the period of application to 31 December 2021 (1 June 2021).

A third measure consisting of aid in the form of subsidised interest rates for loans for SMEs active in the Netherlands, predominantly financed externally with equity, venture capital or microcredit. Total budget is estimated at EUR 100 million (24 April). The scheme has been amended raising the budget to EUR 301.5 million and clarifying that financial institutions are excluded from the scope (2 July). The scheme has been amended to extend the period of application to 30 June 2021 (11 December).

A fourth measure consisting of aid in the form of direct grants that will cover a max. of 70% of the loss of revenues or additional costs for farmers and traders in the floricultural sector and undertakings in the specialty horticultural sector and a max. of 44% of the loss of revenue or additional costs for potato growers. The estimated budget is EUR 650 million (8 May). Some technical amendments related to the calculation of turnover loss and eligibility conditions have been approved by the Commission (10 June).

A fifth measure consisting of a State guarantee scheme to trade credit insurers to ensure that trade credit insurance remains available for all companies to secure their commercial exchanges. The overall estimated budget is EUR 12 billion(25 May). The scheme has been amended to extend the period of application to 30 June 2021 and to introduce some further changes to risk coverage by the Dutch State (18 December).

A sixth measure consisting of aid to support SMEs in the form of State guarantees of up to 95% for small loans between EUR 10 and 50,000. The estimated budget is EUR 713 million (27 May). The scheme has been amended to extend the period of application to 30 June 2021 (11 December). The Scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum nominal amount of the loan covered to EUR 1.8 million (1 June 2021).

A seventh measure consisting of aid in the form of direct grants up to a maximum of EUR 50,000 to SMEs active in all sectors except agriculture, forestry, fishery and financial institutions, who due to the COVID-19 pandemic experienced a decline in turnover of at least 30%. The total budget is estimated at EUR 1.4 billion (26 June).

Netherlands

EU State Aid Approvals

This measure has been amended by introducing two new aid measures consisting of direct grants up to a maximum of EUR 90,000 for turnover loss of SMEs in the months of January, February and March and direct grants for companies active in the event sector, as well as extending the period of application of the initial aid measure (9 February 2021).

The measure has been further amended in particular in relation to the first sub-measure introduced by the previous amendment. Besides some technical amendments the most important changes are increase of maximum aid amount per beneficiary and inclusion of large enterprises as beneficiaries. The total estimated budget for this sub-measure is increased to EUR 2,953 million (15 March 2021).

An eight measure consisting of aid in the form of direct grants of up to 80% of revenues lost by providers of special transport services who have a contract with one or more municipalities. The revenue lost is calculated for the period between 15 March and 30 June on the basis of the non-performed contracted rides. The total budget is estimated at EUR 160 million (29 June).

A ninth measure consisting of subsidised interest loans to small and micro companies. The aid amount cannot exceed EUR 25,000 per company and the total budget of the scheme is EUR 25 million (8 July). The scheme has been amended to extend the period of application to 30 June 2021 (11 December). The scheme has been further amended to increase the budget to EUR 55 million and to extend the period of application to 31 December 2021 (25 March 2021).

A tenth measure consisting of a State guarantee on loans and a subordinated State loan to KLM . The total estimated budget is EUR 3.4 billion (13 July).

An eleventh measure consisting of aid in the form of direct grants that will cover costs made for the purchase, leasing, licensing and implementation of e-health applications. The estimated budget is EUR 77 million (16 July).

A twelfth measure consisting of aid in the form of subsidised loans to ensure that the five Dutch Travel Guarantee Funds have sufficient liquidity to guarantee all payments made by travelers for package tours that had to be cancelled due to the coronavirus outbreak. The total budget is EUR 165 million (28 July).

A thirteenth measure consisting of aid in the form of direct grants to be provided by the twelve Dutch provinces and two metropolitan areas/the Dutch State to regional/long-distance transport providers, respectively. The grants compensate up to 93% of the net costs incurred by the transport providers for the period between 15 March 2020 and 31 August 2020. The total estimated budget of the measure is EUR 1,550 million (3 November).

Netherlands

EU State Aid Approvals

A fourteenth measure consisting of two separate measures for companies active in publicly funded transport for specific groups in the social domain. Both measures provide direct grants to cover loss of revenue due to non-performed rides between 1 July and 13 October 2020. One measure concerns direct grants up to a maximum of EUR 1.8 million covering general and capacity related costs. The other measure concerns direct grants up to a maximum of EUR 10 million covering labour costs. The total estimated budget is EUR 122.5 million (9 February 2021).

A fifteenth measure consisting of aid in the form of direct grants to compensate zoos for up to 100% of their costs linked to animal care incurred in the period 18 March 2020 until 14 May 2020. The total estimated budget of the measure is EUR 29.4 million (12 February 2021).

A sixteenth measure consisting of aid in the form of direct grants covering up to 100% of the zoos' costs linked to animal care incurred in the period 15 May 2020 until 30 September 2020. Aid per beneficiary is capped at EUR 1.8 million and the total estimated budget of the measure is EUR 9 million (12 February 2021).

A seventeenth measure consisting of a loan scheme to support companies providing package travel and linked travel arrangements in the Netherlands. The loans with a maximum of EUR 50 million per beneficiary are intended to cover the costs for reimbursement of travel vouchers issued to customers who saw their trip cancelled due to COVID. The total estimated budget of the measure is EUR 400 million (30 March 2021).

An eighteenth measure consisting of aid in the form of soft bridge loans with subsidised interest rates. The loans are up to a maximum amount of EUR 35,000 and are open to small and micro-enterprises which have been registered as a start-up in the first two quarters of 2020. The total estimated budget of the measure is EUR 40 million (30 April 2021).

A nineteenth measure consisting of aid in the form of direct grants to SMEs first registered between 1 October 2019 and 30 June 2020. The aid intends to cover fixed costs of the first three months of 2021 provided the beneficiaries can show a decline in turnover over that period of at least 30% compared to the third quarter of 2020. The total estimated budget of the measure is EUR 90 million (20 May 2021).

Netherlands

Foreign Investment Restrictions

In November 2019, the Dutch government announced its intention to develop and introduce a "broad" review regime for transactions involving potential national security risks (in addition to an earlier announced sector-specific investment test for the Dutch telecom sector). A bill is currently expected in Q4 of 2020. The dates of entry into force of these regimes are yet to be confirmed.

Importantly, the Dutch government has recently announced a reference date of 2 June 2020 for acquisitions and investments within the scope of the broad review regime. Hence, after entry into force, the Dutch government will likely be able to assess transactions that were concluded as of that date with retroactive effect.

Based on currently available information from parliamentary proceedings, the broad review regime would apply to certain acquisitions and investments (thresholds to be confirmed) involving the following types of companies:

Providers of "critical processes" and "critical infrastructure". According to the a recent letter to Parliament (the "Letter"), the Dutch critical infrastructure consists of processes that are considered "essential" for society, such that their failure or disruption could result in severe social disruption and a threat for national security. It follows from this letter that this category will, at least, relate to transactions involving companies that are essential for the continuity of processes which have already been designated as "critical" for national security and counterterrorism purposes. An overview of these processes from the relevant government department (NCTV), as also referred to in the Letter, is available here. Relevant processes include, among others, certain processes related to supply and distribution of electricity, gas and oil; drinking water supply and water management; air and vessel traffic control; internet, voice and data services; financial transaction services; digital government services; and (large-scale) production, processing and storage of (petro)chemicals and nuclear materials.

Companies active in the area of "high-quality sensitive technologies". Although not yet crystallized, the government has indicated that this category will, as a starting point, be based on existing multilateral export control regimes for military and dual-use items. Further details, including on the precise scope of the abovementioned categories and the review mechanism, are yet to be confirmed.

The broad review regime specifically seeks to mitigate national security risks. More specifically, the substantive risk assessment will focus on potential risks affecting the (i) continuity of critical processes; (ii) integrity and exclusivity of know-how and information relating to critical processes and sensitive technologies; and (iii) creation of strategic dependencies (i.e., according to the government, avoiding dependencies of third countries "with a different geopolitical orientation").

In light of the above, companies and advisors are advised to anticipate such potential investment screening when dealing with transactions involving Dutch companies, particularly when these are active in sectors that might potentially be deemed sensitive from a national security perspective.

Netherlands

Debt

The Dutch government has announced a wide range of financial, economic and fiscal measures. Debt-related measures include the following:

a) The Dutch government has announced the extension of the GO-scheme (*Garantie Ondernemingsfinanciering*) which is an arrangement for medium and large companies affected by COVID-19 and guarantees half of any new funds which banks make available to Dutch borrowers. Furthermore, the Dutch government increased the budget to EUR 10 billion and the 80% (for medium and large companies) and 90% (for small and medium enterprises, "SMEs") state guarantee on loans up to EUR 150 million.

b) The existing credit guarantee scheme for SMEs (Borgstelling MKB Kredieten, "BMKB") has been further expanded as per the end of March 2020 until at least 30 June 2022 to enable SMEs to attract financing in amounts which would otherwise not be possible. The government budget is EUR 1.5 billion. Apart from a company's creditworthiness, there are some general requirements to apply for the scheme: the BMKB is available for companies that (i) exist longer than 3 years, (ii) employ less than 250 employees, and (iii) generate less than EUR 50 million of turnover or have a balance sheet total of less than EUR 43 million. Under the BMKB, up to 75% of the credit can be financed by the government whereas the government covers (*staat borg voor*) 90% thereof. The company has to cover 10%. Companies cannot apply for the BMKB but can ask their accredited financier (e.g., the bank) to make use of the scheme. The maximum credit is EUR 1.5 million. Moreover, the BMKB premium has been decreased from 3.9% to 2%, which makes the scheme more accessible to entrepreneurs. The Dutch cabinet also indicated that banks should consider whether they still charge clients reasonably.

c) Supplier credit is a common form of business financing in the Netherlands. This form of business financing only works if short-term payment terms (usually 30 to 60 days) are insured, by credit insurers or otherwise. Because of COVID-19, borrower default risks increase, which jeopardises the supplier credit system. To prevent insurers from lowering or cancelling insurance limits for entrepreneurs, the Dutch Ministry of Finance is preparing a EUR 12 billion reinsurance plan for short-term credit insurances for the year 2020. Furthermore, the conditions to make use of export credit insurance are temporarily expanded.

d) SMEs with a business within one of the industries impacted by the Dutch government measures can also apply for a one-off net payment of EUR 4,000 (under a compensation scheme called "TOGS" (*Tegemoetkoming Ondernemers Getroffen Sectoren* COVID-19)). If a company has a main activity which corresponds to one of the SBI codes that apply under the TOGS, or is otherwise eligible, and meets the other requirements, it is entitled to receive such a one-off payment. Companies can submit a request through the website of theDutch Enterprise Agency.

e) The Dutch cabinet announced specific credit opportunities for startups, scale-ups and other innovative companies. Such companies may apply for bridge financing by the Regional Development Agencies (*Regionale Ontwikkelingsmaatschappijen*). The government budget will initially be EUR 100 million. This scheme will be accessible in the fourth week of April. Also, the Dutch government provides loans to innovative and

Debt	starting entrepreneurs via the Early Phase Financing facility (*Vroege Fase Financiering*) and the Innovation Credit program (*Innovatiekrediet*). Entrepreneurs may also be eligible for suspension of interest payments and repayment of their loans for a period of 6 months (from 1 April 2020 until 1 October 2020). f) The microcredit provider credits finances and coaches companies and start-ups with financing up to EUR 250,000. The Dutch government announced that it will support Qredits to extend credits by up to six months and to decrease its interest rates to 2% during such extension period. g) The planned phase out of the Growth Facility measure (*Groeifaciliteit*) will be postponed until 1 July 2021. This facility aims to help entrepreneurs who need venture capital (e.g., for quick growth, a transaction or foreign expansion) by providing the financier of a business with a 50% state guarantee on subordinated loans and shares of private equity firms.
Restructuring & Insolvency	So far no general restrictions on creditor actions were introduced in connection with COVID-19 and no amendments to the bankruptcy procedures have been made. There is a set of tax measures to aid businesses in connection with financial distress due to COVID-19 (https://www.belastingdienst.nl/wps/wcm/connect/nl/ondernemers/content/coronavirusbelastingmaatregelen-om-ondernemers-te-helpen) Expected The Dutch Scheme of Arrangement (*Wet Homologatie Onderhands Akkoord*) is expected to be introduced shortly (by 1 July 2020). The draft legislation is currently being finalized by parliament. The Dutch Scheme of Arrangement is set up to combine the best of both the UK scheme and US Chapter 11 procedures. It is very flexible and cost efficient and requires limited court involvement. It is meant to allow debt restructuring for businesses that are otherwise viable outside of bankruptcy, also binding dissenting (classes of) creditors.
Equity	No (semi-) equity measures have been announced.

Netherlands

Taxation

Corporate income tax

Lowering of preliminary assessment. If the amount of the new preliminary assessment is lower than the tax you already paid in the first months of the year the difference will be refunded.

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

See comments.

Excise / Import duties

N/A

Other taxes

See comments.

Comments

- A request for a payment deferment for 3 months can be submitted. This submission covers several taxes, including Personal Income Tax, CIT, Wage Tax, VAT, Healthcare Insurance Act. Penalties will not be charged during this period.
- An additional extension of another 3 months can be requested per letter.
- In case the sum of payable taxes is lower than EUR 20,000: the entrepreneur can include arguments to substantiate the need for an additional extension, for example by including numbers that show a drop in revenues in comparison to the months before the COVID-19 crisis.
- Returns should still be submitted in time.
- Interest will be lowered to 0.01% as of 23 March 2020.
- The measures around Tourist Tax are determined per municipality.

EU State Aid Approvals

A first scheme consists of a guarantee scheme on existing or new loans to support companies affected by the coronavirus outbreak. The support consists in the provision by the Polish National Development Bank, Bank Gospodarstwa Krajowego, of public guarantees on investment loans and working capital loans with a maximum maturity of 24 months to medium and large Polish companies active in all sectors. (3 April). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A second measure provides liquidity support in the form of guarantees on loans and subsidised interest rates for loans with maximum maturity of 6 years which is open to all companies (SMEs and large undertakings). The scheme is co-funded by European Union funds under shared management, notably the European Regional Development Fund and the European Social Fund. (8 April). The scheme has been amended and will now use the EURIBOR base rate applicable on 1 October 2020 to calculate the interest rates charged and the application of the scheme has been extended to 30 June 2021 (27 October). The scheme has been further amended to extend the period of application to 31 December 2021 and to use EURIBOR on 1 January 2021 (16 March 2021).

A third measure consisting of a direct grant scheme intended to partially cover interests on loans, which should normally be borne by the borrower. The scheme is open to all undertakings irrespective of their size and the direct grant cannot exceed EUR 800,000 per undertaking. The total estimated budget is EUR 115 million (10 April). The scheme has been amended to extend the period of application to 30 June 2021 (15 December).

A fourth measure consisting of aid in the form of guarantees on loans and subsidised interest rates that will be provided under Regulation of the Minister of Development Funds and Regional Policy to SMEs and large undertakings active in all sectors, with the exception of the financial sector. Total budget estimated at EUR 110 million (22 April). The scheme has been amended and will now use the EURIBOR base rate applicable on 1 October 2020 to calculate the guarantee premium charged and the application of the scheme has been extended to 30 June 2021 (27 October). The scheme has been further amended to extend the period of application to 31 December 2021 and to use the EURIBOR base rate applicable on 1 January 2021.(16 March 2021).

A fifth measure consisting of 11 Polish State aid schemes to support the Polish economy in the context of the coronavirus outbreak. Under the schemes, the public support will take the form of (i) direct grants, (ii) repayable advances, (iii) tax and payments advantages, (iv) deferrals of tax payments and (vi) wage subsidies. Total budget estimated at EUR 7.8 billion (23 April). The scheme has been amended to extend the period of application of measures 1-7 and 11, to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum of aid per beneficiary of those schemes operated under Section 3.1 TF to EUR 1.8 million (16 March 2021).

EU State Aid Approvals

A sixth measure consisting of aid in the form of direct grants and repayable advances, possibly co-funded by ESIF funding, for all types of undertakings. Total budget estimated at EUR 700 million (24 April). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the budget to EUR 1,020 million (16 March 2021).

A seventh scheme in the form of repayable advances, with a total budget of EUR 16.6 billion (approximately PLN 75 billion), to support the Polish micro companies and SMEs in the context of the coronavirus outbreak (27 April). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

An eight measure consisting of aid in the form of public loans, guarantees on loans and sureties with a maximum of EUR 800,000 under the mechanism of regional operational programmes and national operational programmes 2014-2020. The overall budget of the measure is estimated at EUR 450 million (11 May). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 , to increase maximum amount of aid per beneficiary to EUR 1.8 million and to increase the budget to EUR 470 million (16 March 2021).

A ninth measure consisting of aid in the form of subsidized interest rate loans to large enterprises affected by the COVID-19 outbreak. The estimated budget is EUR 2.2 billion (25 May). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The measure has further been amended introducing technical amendments to among others the interest rate calculation, covered loans and eligible undertakings as well as the period of application to 31 September 2021 (1 March 2021).

A tenth measure consisting of aid in the form of subsidised loans (and partial capital rebates on these loans) granted at favourable interest rates to certain larger SMEs (more than 150 employees and more than EUR 21 million turnover) and large enterprises. This measure is part of the larger programme "Financial shield for large enterprises". The estimated budget is EUR 1.6 billion (29 May). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

An eleventh measure consisting of aid in the form of recapitalisation instruments, in particular equity instruments (acquisition of ordinary and preferred shares in public and private companies) and hybrid capital instruments (convertible bonds and loans). The scheme will be administered by the Polish Development Fund and comes with stringent conditions in terms of governance, renumeration and exit. The aid will be granted to certain larger SMEs (more than 150 employees and more than EUR 21 million turnover) and large enterprises. This measure is part of the larger program

EU State Aid Approvals

"Financial shield for large enterprises". The estimated budget is EUR 1.6 billion (11 June). The scheme has been amended to extend the period of application to 30 September 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A twelfth measure consisting of aid in the form of interest rate subsidies to companies active in the primary agriculture sector. The interest rate subsidy can be up to 2% for SME's and 1% for large enterprises on the interest due on loans from commercial banks up to a max. of EUR 100.000. The estimated budget of the scheme is EUR 9 million (12 June). The scheme was amended to extend its period of application to 30 June 2021 (25 November) and further amended to extend the period of application to 31 December 2021 (20 April 2021).

A thirteenth measure consisting of aid in the form of repayable advantages and direct grants for COVID-19 related R&D, and investments in testing- and COVID-19 related products production facilities. The estimated budget is EUR 449 million (18 June). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A fourteenth measure consisting of a State guarantee on factoring products, covering namely recourse and reverse factoring. The estimated budget is EUR 2.6 billion (23 July). The scheme has been amended to extend the period of application to 30 June 2021 (15 December). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A fifteenth measure consisting of aid in the form of reduction of the annual fee for perpetual usufruct and relief in rent, lease and usufruct fees to companies of all sizes. The aid cannot exceed EUR 800,000 per company (lower amounts for companies active in agriculture, aquaculture or fishery). The total budget is approx. EUR 150 million (28 July). The measure has been amended to cover also i) the fee due for conversion of usufruct right in ownership right and ii) in case the 2020 fees were already paid in full the annual fee due in 2021 (11 December).

A sixteenth measure consisting of aid in the form of direct grants to SMEs active in the agricultural sector up to a maximum amount of EUR 100,000 per company. For micro and small companies the measure is not limited to companies that were not yet in difficulties on 31 December 2019. The total budget is EUR 95 million (31 July).

A seventeenth measure consisting of three aid measures in the form of repayable advances, direct grants and tax exemptions to support tour operators, the hotel and cultural sector. The total estimated budget is EUR 200 million (21 September). The scheme has been amended to defer the repayment of the repayable advances (measure 1), increase the maximum direct grant and tax exemption to EUR 1.8 million,extend the period of application to 31 December 2021 and include further eligible companies(Measure 2 and 3) (2 June 2021).

EU State Aid Approvals

An eighteenth measure consisting of direct grants to support Polish airports. The measure aims at compensating Polish airports for the revenue loss due to restrictions imposed between March and June and includes a claw back mechanism to avoid overcompensation. The total budget of the measure is around EUR 32 million (28 September).

A nineteenth measure consisting of aid in the form of cancellation, in whole or in part, of the following debt: (1) statutory interest; (2) compensation for the recovery costs and (3) contractual penalties related to the purchase of wood from the national State Forests. Aid is limited to max. EUR 800,000 per beneficiary (EUR 100,000/120,000 for companies active in primary agriculture/fishery-aquaculture). The total budget of the measure is around EUR 13 million (29 October).

A twentieth measure consisting of an aid scheme in the form of tax deferrals (postponement or payment in installments) for all companies that have experienced a drop of turnover of at least 25% since 31 January 2020 compared to the same period last year. The total budget is estimated at EUR 264 million. (13 November). The scheme has been amended to extend the period of application to 31 December 2021 (16 March 2021).

A twenty first measure consisting of a EUR 400 million subsidised loan and a capital injection of around EUR 250 million to the Polish airline LOT. The strict conditions of Section 3.11 of the Temporary Framework apply to the capital injection including the prohibition to use the aid to support economic activities of integrated companies that were in economic difficulties already on 31 December 2019 and a ban on acquiring a stake of more than 10% in competitors or other operators in the same line of business until at least 75% of the recapitalisation is redeemed (22 December).

A twenty second measure consisting of a scheme called "Financial Shield for SME 2.0", which includes two measures: (i) limited amounts of aid for micro-enterprises; and (ii) support for uncovered fixed costs for small and medium-sized companies. Aid will take the form of repayable advances and will not exceed EUR 73,000 for micro-entreprises or EUR 800,000 for SMEs. The total estimated budget of the scheme is approximately EUR 2.9 billion (23 December). The measure has been amended to expand the list of sectors to which the scheme could apply (12 January 2021). The scheme has been further amended to extend the period of application to 31 December 2021 (16 March 2021).

A twenty third measure consisting of four sub-measures which provide aid in the form of direct grants (sub-measure 1, 3 and 4) and exemptions from payment of contributions (sub-measure 2). The maximum amount of aid per undertaking cannot exceed EUR 800,000. The total budget of the scheme is estimated at EUR 1.9 billion (20 January 2021). The scheme has been further amended to extend the period of application to 31 December 2021 and to increase the maximum amount of aid per undertaking to EUR 1.8 million (16 March 2021).

A twenty fourth measure consisting of two sub-measures which provide aid respectively in the form of low interest loans to non-governmental organisations and other entities engaged in public benefit work, and wage subsidies to religious entities. The total budget of the measure is estimated at EUR 94.6 million (9 February 2021).

Poland

EU State Aid Approvals

A twenty fifth measure which includes four sub-measures, provides aid in the form of direct grants and an exemption from payment of social security contributions. Sub-measure 1, 2 and 4 are applicable to SMEs and large enterprises whereas sub-measure 3 is limited to micro and small entrepreneurs. The overall estimated budget for all sub-measures taken together amounts to EUR 1.1 billion (11 March 2021).

A twenty sixth measure consisting of aid in the form of guarantees on financial leasing and leasing loans. The beneficiaries are all SMEs and the maximum nominal value of the guarantee per undertaking is EUR 1.8 million. The total estimated budget of the scheme is EUR 300 million (6 May 2021).

A twenty seventh measure consisting of aid in the form of quota share reinsurance ("reinsurance") agreements granted to the participating trade credit insurers for the coverage of the losses related to insured eligible trade credit insurance portfolios. The reinsurance will cover 80% of the value of trade credits insured by the participating trade credit insurers. The total estimated budget of the scheme is EUR 300 million (1 June 2021).

Foreign Investment Restrictions

No new measures have been announced in specific response to COVID-19.

Debt

The most significant change, from the point of view of financial markets, introduced under the provisions of the Act on COVID-19, is a solution enabling domestic banks to change the terms and conditions, and the deadlines specified in credit agreements or cash loan agreements concluded with enterprises, non-governmental organisations and public benefit purpose entities upon agreement with the borrower.

Such amendments could be made to all contracts for which financing was granted before 8 March 2020 and where, at the same time, such amendment is justified by the borrower's financial and economic situation. Such amendment shall be made on terms agreed between the domestic bank and the borrower and shall not cause a deterioration of the borrower's financial and economic situation.

The above solution is linked with the solution which entitles Bank Gospodarstwa Krajowego to grant (in connection with the effects of COVID-19) guarantees for repayment of credits granted to entrepreneurs (excluding micro and small entrepreneurs). This applies to Credits intended to provide financial liquidity.

Amendments may also be implemented to contracts concluded with other creditors. Such changes being made not under the COVID-19 regime but under the principle of contractual freedom.

Repayable financing and credits within the meaning of the Act on Certain Forms of Support for Housing Construction

The Act on COVID-19 introduces new rules for the calculation of the repayable funding period and the credit period. This period does not include the grace period for the repayment if this grace period was requested by the borrower in connection with a state of emergency or state of epidemic.

Period of subsidies within the meaning of the Act on Financial Support for Families and Other Persons in Purchasing Their Own Apartment

The Act on COVID-19 introduces similar new rules for the calculation of the subsidy period within the meaning of the Act on financial support for families and other persons in acquiring their own housing. This period does not include the grace period for the payment of capital instalments or interest on a soft loan if this grace period was granted at the request of the borrower in connection with a state of emergency or state of epidemic.

However, the interest is capitalized during the grace period for the payment of the capital instalments or interest on the preferential credit. This may raise doubts as to its compliance with Polish law.

Debt

Cheaper consumer credit

The new law introduces an algorithm for calculating the maximum amount of non-interest cost of consumer credit. For loans with a repayment period of less than 30 days, the costs may not be more than 5 percent of the total amount of credit. For loans repaid after at least 30 days, the level of non-interest cost may be no more than 15% of the total amount of credit plus 6 percentage points for each year of duration of the credit, providing that no more than 45% of the total amount of the consumer credit over the entire maturity of the loan.

Example: the non-interest cost of a loan granted to a consumer, in the amount of PLN 1,000, on the basis of the existing and the new regulations:

Credit period Current cost of the credit Cost of the credit in accordance with the Law on COVID-19 7 days PLN 256PLN 50 30 days PLN 275 PLN 155 90 days PLN 324 PLN 165

The OCCP may impose financial penalties of up to 10% of the annual turnover on lenders who violate these regulations.

However, the interest is capitalized during the grace period for the payment of the capital instalments or interest on the preferential credit. This may raise doubts as to its compliance with Polish law.

Cheaper consumer credit

The new law introduces an algorithm for calculating the maximum amount of non-interest cost of consumer credit. For loans with a repayment period of less than 30 days, the costs may not be more than 5 percent of the total amount of credit. For loans repaid after at least 30 days, the level of non-interest cost may be no more than 15% of the total amount of credit plus 6 percentage points for each year of duration of the credit, providing that no more than 45% of the total amount of the consumer credit over the entire maturity of the loan.

Example: the non-interest cost of a loan granted to a consumer, in the amount of PLN 1,000, on the basis of the existing and the new regulations:

Credit period Current cost of the credit Cost of the credit in accordance with the Law on COVID-19 7 days PLN 256PLN 50 30 days PLN 275 PLN 155 90 days PLN 324 PLN 165

The OCCP may impose financial penalties of up to 10% of the annual turnover on lenders who violate these regulations.

Restructuring & Insolvency

As of April 2020, there have been two acts of the Polish Parliament relating to COVID-19. However, the situation is constantly changing and new COVID-19 legislation might still be adopted.

According to the first COVID-19 legislation, the time limits in bankruptcy and restructuring proceedings cannot begin, and those already begun are suspended. This relates only to court proceedings already initiated. Consequently, the courts still have to decide on the restructuring or bankruptcy motions, but the time limits for appealing against the courts' decisions or for filing applications with creditors' claims cannot begin, while those already begun are suspended. Thus, after the first decision of the court, the proceedings are mostly halted. Based on the second COVID-19 act, cases were added to the catalogue of urgent cases to deal with a restructuring request, thus in these cases the time limits are not suspended.

Under the second COVID-19 act, the regulation of time limits also covers the period for filing an application for bankruptcy. If the basis for declaring bankruptcy arose during the period in which an epidemic, emergency situation or the state of epidemic occurred, and the state of insolvency was caused by COVID-19, the period does not begin and is interrupted. After this period, the deadline resumes. If the state of insolvency arose during a period of an epidemic or the outbreak, it is assumed that it occurred because of COVID-19.

Equity

The law on equity and semi-equity support measures in Poland related to the COVID-19 pandemic has been introduced in an amendment to the Act dated 4 July 2019 on the System of Development Institutions. The main focus of the new measures is to provide various forms of financing to entrepreneurs affected by the COVID-19 pandemic and to mitigate its negative economic effects.

The financing will be provided by the Polish Development Fund (*Polski Fundusz Rozwoju*) ("PFR"), which a joint-stock company wholly owned by the State Treasury of the Republic of Poland. The general purpose of the PFR is to make investments into Polish businesses leading to the sustainable economic growth of the Polish economy. For equity and semi-equity support measures, the PFR will make investments directly or through other designated entities. The support measures are available to SMEs as well as large business undertakings.

Equity support measures

Equity support will be focused on acquisitions of existing shares or newly issued shares in the increased share capital of Polish companies. Equity support may also be provided through a participation in partnerships.

Semi-equity support measures

The new law does not determine specific details on semi-equity support measures. However, based on its current wording and statements of governmental officials, the semi-equity support measures may cover convertible bonds and loans, as well as other convertible instruments such as subscription warrants.

Poland

Taxation

Corporate income tax

Deadline for filling of the CIT return should be extended for non-governmental organizations.

Currently, the taxpayers are obliged to increase their tax base by the amount of unpaid liabilities in a given period (included in tax deductible costs). These provisions should be suspended.

If in FY20 the taxpayers achieve revenue at least 50% lower than in FY19, they will be allowed to recognize the potential tax loss incurred in FY20 in their tax result for FY19 - up to PLN 5m / c. EUR 1.1m (while generally carry-back of tax losses is not allowed in Poland).

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

The use of the new Standard Audit File obligations (Polish: JPK_VAT) should be postponed to 1 July 2020.

Excise / Import duties

N/A

Other taxes

Deadline for the payroll tax advances payment for the period March - April should be extended for the tax remitters to 1 June 2020.

- Real Estate Tax: The municipalities should be allowed (at their own discretion) to exempt the taxpayers from the RET obligations.
- Minimum Tax on Real Properties: Deadline for Minimum Tax payment for the period March - May FY20 should be extended to 20 July 2020.

Comments

The standard extension fee which normally is due for (i) extending the tax payment deadlines or (ii) payment of tax liabilities in instalments - should be suspended. The tax authorities should carefully consider, if in given circumstances certain tax audits / tax proceedings / execution proceedings should be suspended. The taxpayers should be allowed to decrease their tax income by the amount of donations made for the benefit of certain entities involved in combating the pandemic.

Russia

Debt

The Russian government approved a list of debt relief measures to support organizations and individual entrepreneurs working in the areas most affected by the spread of COVID-19 (including travel, tourism, culture, entertainment, sports, catering and services).

The list includes the following measures:

a. Small and medium-sized organizations working in the most affected sectors of the economy may ask creditors to introduce so-called "credit holidays" under the credit agreements (to suspend monthly payments and not to charge interest under credit agreements);

b. Tenants working in the most affected sectors of the economy may receive a deferral of rental payments under real estate lease contracts; and

c. Small and micro organizations working in the most affected sectors of the economy can get interest-free payday loans.

Restructuring & Insolvency

On 3 April 2020, the Russian government enacted a six-month moratorium on bankruptcy claims by creditors against companies and on the recovery of debts and penalties. The moratorium applies to companies whose activities were most affected by COVID-2019 (including travel, tourism, culture, entertainment, sports, catering and services) as well as to strategic and systematically important companies.

During the moratorium:

a. Courts are to return the insolvency petitions (1) filed during the moratorium and (2) filed prior to the moratorium but not accepted for consideration by the date the moratorium was introduced.

b. Notices on intention to file an insolvency petition filed during the moratorium shall not be published.

c. Creditors who have pledges over property are prohibited from enforcing that security (although enforcement against other forms of security, such as direct debit agreements, guarantees and suretyships, have not been prohibited).

d. Existing enforcement proceedings against protected debtors should be suspended (although property arrests and other restrictions remain in place). However, to sue the debtor in court during the moratorium period and to submit a writ of execution directly to a bank is not prohibited.

e. The obligation of a protected company to file a voluntary bankruptcy petition under the Bankruptcy Law is suspended during the moratorium period (although debtors still have the right to do so).

f. To protect the interests of creditors, protected debtors are prohibited from carrying out certain actions that could result in any unjustified extraction of value (namely, share buybacks and paying dividends, set-offs).

Restructuring & Insolvency

g. Financial sanctions (fines, default interest, etc.) should not accrue for affected debtors during the moratorium period.

h. If insolvency proceedings are initiated within three months after the termination of the moratorium, any foreign currency nominated debt (which was incurred before the moratorium) is converted into rubles at the Russian Central Bank's exchange rate as of the date of enactment of the moratorium or the date of commencement of bankruptcy proceedings (whichever exchange rate is smaller).

Moreover, the moratorium affects the challenging of debtors' transactions. If insolvency proceedings are initiated within three months after the termination of the moratorium, certain transactions entered into by the debtor during the moratorium period may be challenged when:

1. The amount exceeds 1% of the debtor's assets; and
2. The transaction is outside the ordinary course of business.

The existing time periods for challenging debtors' transactions have been extended, so as to include:

1. the corresponding period prior to the introduction of the moratorium,
2. the period of the moratorium,
3. the period within one year from the termination of the moratorium, but no later than the date of initiation of bankruptcy proceedings.

Equity

No (semi-) equity support measures have been announced.

To read more about this topic, please see this alert: Corporate rules eased during coronavirus crisis quarantine

Russia

Taxation

Corporate income tax

- Six months' deferral on paying corporate profits tax (and other taxes except for the VAT) for small and mid-size enterprises (Qualifying SMEs) that:
  - i. are included in the Russian State Registry of SMEs as on 1 March 2020 (companies whose annual turnover does not exceed RUB 2 billion (approximately USD 250 million, average headcount does not exceed 250 employees, participation of foreign shareholders does not exceed 49%)), and
  - ii. operate in industries severely affected by the COVID-19 quarantine (air and truck transportation, airport activities, culture and leisure activities, sports, tourism, hotel and restaurant business, education, conferences, exhibitions and consumer services).
- Amendments to certain tax treaties are expected. Increase in the withholding tax to 15% on dividends and interest paid "abroad, to offshore jurisdictions" to certain "transit" jurisdictions e.g., Cyprus (or termination of such tax treaties in case of lack of agreement). Official request to change tax treaty was sent to Cyprus on 1 April 2020, and to Luxembourg and Malta on 13 April 2020. The list of "transit" jurisdictions is currently being determined. The increased withholding tax rates may apply not earlier than 2021.
- Simplified rules for providing interest-free tax deferrals (instalment plans) for Qualifying SMEs operating in industries severely affected by the COVID-19 quarantine.

Qualifying SMEs/companies include:

i. companies with a 10% decrease* of income (income from sale of goods and services);

ii. companies with a 10% decrease* of income from sale of goods and services subject to the 0% Russian VAT (provided that such sales amount to more than 50% of all operations);

iii. companies receiving losses at the end of a reporting period in 2020 (if a company received profits in 2019);

iv. SMEs applying special tax regimes.

*compared to the same reporting period of 2019.

Russia

Taxation

- The deferrals may apply to corporate profits tax (and other taxes except for mineral extraction tax and excise tax) and advance tax payments due in 2020. The term of the deferral may depend on the company's financial position and may vary up to 1 year for tax deferrals and up to 5 years for instalment plans. The tax deferrals for Qualifying SMEs are interest free. Tax deferrals up to 6 months do not require collateral/bank guarantee for tax deferrals up to 6 months.

Social security / Employment / Wage taxes / Personal Income Tax

- Long-term reduction of social security contributions from 30% to 15% on salaries exceeding minimal wage for small and mid-size enterprises (SMEs).The deferral on paying social security contributions for micro-businesses (whose average headcount does not exceed 15 employees and annual turnover does not exceed RUB 12 million (USD 1.5 million))
- Simplified procedures for obtaining deferral of social security contribution payments due in 2020 may be available for qualifying SMEs/companies (same as for corporate profits tax purposes).

VAT

N/A

Excise / Import duties

Elimination of customs duties and simplification of customs formalities for import of certain categories of goods, such as medical goods.

Other taxes

(Moscow) Tax deferral until 31 December 2020, with respect to advance tax payments of Russian corporate property tax and land tax for companies operating in certain industries (trade, restaurants, tourism, leisure, culture and sports activities, cinemas, hotels, additional education, health-resort treatment, conferences and exhibitions, and consumer services). 13% individual income tax on interest on all RUB and foreign currency bank deposits and investments of individuals into debt securities exceeding RUB 1 million in total as of 2021 (previously exempt within Russian Central Bank rate +5% for ruble deposits). There are certain exemptions for small and low rate salary accounts.

Russia

Taxation

Comments

Russia has also introduced special procedural rules for administering tax payments and tax audits in light of the COVID-19 quarantine:

- No collection of tax underpayments for SMEs and companies operating in industries affected by the COVID-19 quarantine until 1 May 2020.
- Postponement of accounting and tax reporting (expect VAT) due in March - May 2020 for three months.
- Extension of the deadlines for collecting taxes, penalties and late payment interest for 6 months.
- Switch to the remote (online) reviewing of appeals and other claims via telecommunication channels; permission to submit materials during a tax audit in scanned copies.
- Freeze on new on-site tax audits and transfer pricing audits and suspension of current ones until 1 May 2020 (chamber tax audits may continue). The freeze may be further extended until 1 June 2020.
- Extension of procedural terms and deadlines for tax audits.
- Extension for 20 working days of the deadlines for providing documents and information requested by the Russian tax authorities in March - May 2020. Potentially no penalties for missing the deadline.

To read more about this topic, please see this alert:

Additional tax support measures during COVID-19 pandemic

Individuals can voluntarily qualify as tax residents in only 90 days in 2020

Saudi Arabia

Foreign Investment Restrictions	No new measures have been announced in specific response to COVID-19.
Debt	The government launched a financial and economic stimulus packages worth more than SAR 70 billion (approximately US$ 18.6 billion), which consists of exemptions and postponement of some government dues to provide liquidity to the private sector. The measures include: 1. Exemption from expat levy for those whose Iqama (residency permit) has expired from now until 30 June 2020, by extending their Iqama for a period of three months without charge. 2. Enabling employers to refund the fees of issued work visas that were not used during the ban on entry and exit, even if they were stamped 3. Enabling employers to extend exit and re-entry visas that were not used during the ban on entry and exit from the Kingdom for a period of three months without charge. 4. Enabling business owners, for a period of three months, to postpone the payment of value-added tax, excise tax, income tax, and the submission of Zakat declarations and the payment of obligations due therefrom. The decision allows for grant zakat certificates without restrictions for the period of fiscal year 2019, and to accept instalment requests to the General Authority of Zakat and Income Tax without applying the condition of advance payment. In addition, postponing the execution of services suspension procedures and financial seizure by the General Authority of Zakat and Income, and setting the necessary criteria to extend the postponement period for the most affected activities as needed. 5. Postponing the payment of some government services fees and municipal fees due on private sector, for a period of three months, and setting the necessary criteria to extend the postponement period for the most affected activities as needed. 6. Authorising the Minister of Finance to approve lending and other forms of financing as well as exemption from payment of fees and returns on loans granted until the end of 2020, under the Corporate Sustainability Program initiative.

Saudi Arabia

Debt

Debt Moratoria

The Saudi Monetary Fund (SAMA) has announced the introduction of a Private Sector Financing Support Program of SAR 50 billion (approximately US$ 13.5 billion) in support of the following measures to contain the financial repercussions of COVID-19, namely:

1. Supporting SME Finance: The purpose of the program is to mitigate the impacts of cash flow fluctuations, support working capital, enable the sector to grow during the coming period and contributing to supporting economic growth, and maintaining employment. The program consists of three basic elements:
   - Deferred Payments Program: SAMA has provided a fund of SAR 30 billion (approximately US$ 8 billion) for banks and financing companies to delay repayments to the financial sector (banks and finance companies) from SMEs for a period of six months as of 14 March 2020.
   - Funding for Lending: Concessional finance of approximately SAR 13.2 billion (approximately US$ 3.5 billion) is being made available for SMEs by granting loans from banks and finance companies to (i) support business continuity and sector growth during the crisis; (ii) contributes to supporting economic growth; and (iii) maintains employment levels in these enterprises.
   - Loan Guarantee Program: SAMA has made available SAR 6 billion (approximately US$ 1.6 billion) for banks and insurance companies to relieve SMEs from the finance costs of the KAFALA Program (a state-backed guarantee and loan program) for the purpose of minimising finance costs for entities eligible to utilise from those guarantees and loans during 2020.
2. Supporting Fees of Point of Sale and E-Commerce terminals: All stores and entities in the private sector will have their fees to payment service providers covered by SAMA up to SAR 800 million (approximately US$ 210 million) for the next three months. SAMA will pay these fees to payment service providers participating in the national system. As regards institutions affected by the precautionary measures implemented in the holy cities of Makah and Medina, SAMA is coordinating with banks and finance companies to facilitate finance repayments of such institutions.
3. Support for health workers: SAMA has announced a new initiative, under which local banks will postpone repayment of loan installments for three months for employees working in the public and private health sector (the "Banks Initiative"). The new initiative will come into effect as of April 2020. Overall, SAMA is reassuring the market that the banking sector is still registering good performance indicators, and this will improve its resilience to cope with future challenges and crises. SAMA has also reaffirmed that it will continue its role of maintaining financial stability in the Kingdom.

Saudi Arabia

Debt

On 29 March 2020, SAMA issued the following additional measures to address the challenges of COVID-19 (the "29 March 2020 measures"):

1. General Lending Support SAMA has requested that banks work constructively with borrowers and industries affected by COVID-19. SAMA expects banks to engage in prudent and proactive actions, which are in the best interest of the banks, the borrowers, and the economy. For example, when appropriate, a bank may modify or restructure a borrower's debt obligations due to temporary hardships resulting from COVID-19 related issues and without further charges to the customer and/or business. Such efforts aim to ease cash flow pressures on affected borrowers and allow them to continue serving customers and paying employees and suppliers, improve their capacity to service debt, and facilitate the bank's ability to collect on its credit facilities.
2. Private Sector Job Retention Scheme - PSJRC SAMA requires banks to immediately put in place measures for borrowers to assist in maintaining employment levels for entities affected by COVID-19 and provide concessional bridging loans and other facilities for at least six months so that these employers will be able to access support to continue paying part of their employees' salaries. SAMA requires each bank to immediately come up with the design of such a scheme and notify SAMA.
3. Supporting Private Sector Unemployed Retail Clients Due to COVID-19 SAMA requires banks to offer immediate support to all their customers who unfortunately lost their jobs because of the direct or indirect impact of the COVID-19 crisis. Such support should include allowing repayment relief for loans or mortgage at no further costs to these customers for up to six months.
4. Measures to Promote Remote Banking SAMA requires banks to immediately waive all fees and other charges arising from the use of digital channels for all customers for up to six months and to support preventative measures of spreading COVID-19. SAMA also requires waiving of activation fees and charges of new customers subscribing to these digital channels during this period.
5. Minimum Balance Requirements SAMA requires all minimum balance charges for all bank accounts to be waived immediately for a period of up to six months.
6. Refinancing and Breakage Costs SAMA requires banks to immediately cease charging customers any fees for at least six months should they want to refinance their existing facilities or should they want to modify or break an existing contractual agreement (loan or fixed deposit).

Saudi Arabia

Debt

7. Credit Card Activities SAMA requires all banks to immediately review and reassess credit card interest rates and other charges to all current and future customers given the current low interest rates in light of the prevailing economic environment. SAMA expects:
   a. credit card interest rates to be offered at a reasonable APR rate.
   b. SAMA requires banks to immediately refund any bank charges that customers may have incurred in relation to cancelled trips, holidays or foreign currency transaction fees.

Banks are required to immediately implement these requirements and provide SAMA with the measures they have put in place to ensure implementation. Banks are also required to immediately publish these relief measures offered to their customers on all their communication channels.

Further information on the measures is available on the SAMA website:

http://www.sama.gov.sa/en-US/News/Pages/news-514.aspx

Equity

No (semi-) equity support measures have been announced.

Taxation

To read more about this topic, please see this alert: Saudi Arabia triples VAT rate to 15%

South Africa

Foreign Investment Restrictions

None. The President recently signed the Competition Amendment Act into law which introduces a foreign investment review regime that will affect transactions in terms of which foreign firms seek to acquire businesses or assets that operate in sectors that are designated as strategically important to South Africa's national security interests. In terms of the Amendment Act, the President will establish a committee charged with considering whether mergers involving a foreign acquiring firm have an adverse effect on the national security interests of the Republic. The committee is yet to be appointed and new measures have not been announced in specific response to COVID-19.

To read more about this topic, please see this alert: The de-globalizing pandemic - FDI and preparing for the post-COVID reality

Debt

SMME Relief Finance Scheme (loans): this is a ZAR 500 million government-backed debt relief finance scheme which will provide "soft-loan" funding to qualifying Small, Medium and Micro Enterprises (SMMEs) for a period of 6 months, commencing 1 April 2020 (although businesses may apply for a longer period of assistance if required). The objective of the Debt Relief Fund is to provide relief for qualifying SMMEs for their existing debts and payments and to assist these qualifying SMMEs to continue with the acquisition of raw materials and payment of both labour and operational costs during the COVID-19 pandemic.

Business Growth and Resilience Facility (loan): this is a ZAR 3 billion facility made available by the Industrial Development Corporation together with the Department of Trade, Industry and Competition which seeks to enable continued participation of SMMEs in supply value-chains, in particular those who manufacture (locally) or supply various products that are in demand, emanating from the current shortages due to COVID-19 pandemic.

The Spaza Shop Support Scheme (loans): this is a government facility which was established to provide seed capital and other necessary business tools to shop owners in order to allow them to continue to provide essential goods during and after the lock-down in South Africa in response to the COVID-19 crisis. The scheme benefits general dealers and traditional grocery stores in townships and villages with applicable licenses.

NEF Fund: The National Empowerment Fund in partnership with the Department of Trade, Industry and Competition has set aside ZAR 200 million for the Black Business Fund as a blended facility for black-owned SMMEs that manufacture and supply various medical supplies and engage in food production to be used for the purpose of purchasing machinery, equipment and raw materials and to fund other working capital requirements. ZAR 500,000 to ZAR 10 million per applicant can be made available for working capital, machinery or equipment related costs. These facilities will be provided with a payment holiday for the first 12 months.

South Africa

Debt

The Industrial Development Corporation (IDC) Distressed Funding: The IDC is offering assistance to companies in distress as a result of the COVID-19 pandemic in certain business sectors, namely agriculture, pharmaceuticals, specialty chemicals, clothing and textiles, heavy manufacturing, light manufacturing, media and audio-visuals, new industries, tourism, automotive transport and equipment, industrial infrastructure and basic metals and mining. Funding is available to existing IDC clients and new clients in distress as a result of COVID-19 only (and not as a result of mismanagement).

IDC COVID-19 Essential Supplies Intervention: designed to provide funding to companies that has the capacity to acquire and/or manufacture products needed to treat, curtail and combat the spread of the COVID-19 pandemic. The financial instruments available include: short-term loan for once-off contract or import funding; revolving credit facility; guarantees to banks for banking facilities, imports and ordering requirements. ZAR 800 million has been allocated towards this fund.

National Credit Guarantee: the National Treasury has provided a guarantee of R100 billion to this scheme, with the option to increase the guarantee to R200 billion if necessary and if the scheme is deemed successful. The loan guarantee scheme is an initiative to provide loans, guaranteed by government, to businesses with an annual turnover of less than R300 million to meet some of their operational expenses.

Sefa-Debt Restructuring Facility: Small businesses funded by the Small Enterprise Finance Agency (Sefa) will be given a payment holiday for the next six months to reduce the instalment burden of loan obligations on clients during the COVID-19 period.

Restructuring Capital Allowance for Banks: The Prudential Authority (the prudential regulatory arm of the South African Reserve Bank) has amended Directive 7 of 2015 issued under the Banks Act, 1990 such that loans that are restructured as a result of the impact of COVID-19 pandemic will not attract a higher capital charge. This amendment covers loans to households, small and medium sized businesses, corporates and specialised lending. This is intended to allow (but not compel) commercial banks to grant voluntary moratoria and debt restructuring to their clients.

South Africa

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt section above.

In addition:

- The Prudential Authority (the prudential regulatory arm of the South African Reserve Bank) has amended Directive 7 of 2015 issued under the Banks Act, 1990, such that loans that are restructured as a result of the impact of the COVID-19 pandemic will not attract a higher capital charge. This amendment covers loans to households, small and medium sized businesses, corporates and specialized lending.
- The Companies and Intellectual Property Commission (CIPC) issued a directive that states that it will not invoke its powers under section 22 of the Companies Act, 2008 (in terms of which the CIPC issues compliance notices to businesses believed to be carrying on activity recklessly, with gross negligence or with a fraudulent purpose) where a company is temporarily insolvent and still carrying on business or trading (if business conditions are related to the COVID-19 pandemic). This relief is expected to last up to 60 days after the declaration that the national state of disaster has been lifted.
- "Payment holidays:"
  - A number of private banks (with the support of government but no obligation on any bank) have offered "payment holidays" to individuals and businesses that are impacted by the COVID-19 pandemic.
  - The SEFA-Debt Restructuring Facility was established by the Small Enterprise Finance Agency to provide a payment moratorium/holiday for a maximum period of six months to qualifying SEFA-funded SMMEs that are negatively affected by the COVID-19 pandemic in order to reduce the instalment burden of loan obligations on the affected SEFA-SMMEs
- Various exemptions to the Competition Act have been granted for the benefit of businesses providing essential services during lockdown and relating to COVID 19 relief efforts.

South Africa

Taxation

Corporate income tax

Deferral of payment of provisional tax liability for compliant small to medium sized businesses

Government proposes the following tax measures for tax compliant small to medium sized businesses, for a period of twelve months, beginning 1 April 2020 and ending on 31 March 2021:

Deferral of a portion of the payment of the first and second provisional tax liability to SARS, without SARS imposing administrative penalties and interest for the late payment of the deferred amount;

The first provisional tax payment due from 1 April 2020 to 30 September 2020 will be based on 15 percent of the estimated total tax liability, while the second provisional tax payment from 1 April 2020 to 31 March 2021 will be based on 65 percent of the estimated total tax liability; and

Provisional taxpayers with deferred payments will be required to pay the full tax liability when making the third provisional tax payment in order to avoid interest charges.

Social security / Employment / Wage taxes / Personal Income Tax

Employment Tax Incentive

The ETI programme makes provision for the employer to claim the ETI in respect of a qualifying employee:

Who is between the ages of 18 and 29; and

Has a monthly remuneration of less than ZAR 6,500.

The maximum monthly ETI claimable per qualifying employee is limited to ZAR 1000 in the first year of employment and ZAR 500 in the second year of employment. Further to the above, the monthly ETI can only be claimed for the first 24 months of the qualifying employee's employment by an employer or associated institutions.

To minimise the loss of jobs during this critical period, Government proposes expanding the ETI programme for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020 as follows:

- First, increasing the maximum amount of ETI claimable during this four-month period for employees eligible under the current ETI Act from ZAR 1,000 to ZAR 1,500 in the first qualifying twelve months and from ZAR 500 to ZAR 1,000 in the second twelve qualifying months.

Taxation

- Second, allowing a monthly ETI claim in the amount of ZAR 500 during this four-month period for employees from the ages of:
  - > 8 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months; and
  - > 30 to 65 who are not eligible for the ETI due to their age.
- Third, accelerating the payment of employment tax incentive reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.

Deferral of Employees' Tax Liability for tax compliant small to medium sized businesses

Government proposes the following tax measures for tax compliant small to medium sized businesses, for a limited period of four months, beginning 1 April 2020 and ending on 31 July 2020:

- Deferral of payment of 20 per cent of the PAYE liability, without SARS imposing administrative penalties and interest for the late payment thereof.
- The deferred PAYE liability must be paid to SARS in equal instalments over the six month period commencing on 1 August 2020, i.e., the first payment must be made on 7 September 2020.

For the purposes of this proposal, small or medium sized business is defined to mean any business with an annual turnover not exceeding ZAR 50 million.

VAT

Goods qualifying for import VAT exemption under item 412.11 – COVID-19 measures:

"[E]ssential goods" as defined in R.398 in Government Gazette No. 43148 of 25 March 2020 (or then COVID-19 Regs) are, with a few exceptions, exempt from VAT on importation under item 412.11/00.00/01.00 to Schedule 1 of the Value-Added Tax Act, 1991, read with section 13(3) of that Act.

Excise / Import duties

Excise

SARS has published a streamlined temporary registration process for traders to register as rebate users in the manufacturing of disinfectants for the duration of the national state of disaster.

South Africa

Taxation

COVID-19 Export Control Regulation

On 2 April 2020, SARS has been requested by the Department of Trade and Industry to add the listed goods to its prohibited and restricted list (P&R list) for purposes of export control. It is not a ban. Traders may apply to the International Trade Administration Commission (ITAC) for an export permit, and if granted the goods may be exported. See Notice R.424 (link) for more information.

Customs practice note - Transportation of cargo (COVID-19)

Customs has clarified an amendment to the regulations published on 2 April 2020 aimed at easing escalating port congestion by providing for the "transportation of cargo from ports of entry to their intended destination, on condition that necessary precautions have been taken to sanitise and disinfect such cargo." For more info, see the Customs Practice Note (link).

Goods qualifying for a full rebate of customs duty and import VAT exemption under 412.11 – COVID-19 measures

Importation of supplies critical to the national state of disaster necessitated by the COVID-19 pandemic can be done free of duty and VAT into South Africa. Importers are required to apply to ITAC for a certificate to use that qualifies them to import under rebate item 412.11.

Qualifying products referred to as "critical supplies" are listed on the ITAC website, as is the application form and the SOP.

Processing of Rules of Origin certificates during lockdown

Customs clients submitting Certificates of origin, including: Form A, EUR1, SADC, MERCOSUR and AGOA, will continue to do so at their local branch as per communiqué dated 26 March 2020 (using an appointment process). However, clients in Durban and Cape Town are advised that Certificates of origin will only be processed during the lockdown period on the following days: Monday, Wednesday and Friday.

Other taxes

N/A

Comments

N/A

To read more about this topic, please see this alert: Is tax deduction for home expenses fair in its application in light of COVID-19?

Relief for taxpayers during the lockdown period

Spain

EU State Aid Approvals

A first measure consisting of three guarantee schemes (total budget up to EUR 20 billion) for new loans and refinancing for companies and self-employed workers. The schemes limit State exposure to 80% for self-employed workers and SMEs and 70% for larger enterprises, 60% for refinancing (24 March). The scheme has been amended by adding an additional budget of EUR 40 billion and extending the max. maturity of the guarantee and underlying loan to 8 years (5 August).

A second measure consisting of an "umbrella" scheme, which allows the Spanish authorities to provide liquidity support to self-employed, SMEs and large companies, in the form of direct grants, repayable advances, tax and payment advantages (all with a maximum aid amount of EUR 800,000) guarantees on loans and subsidised interest rates for loans in line with the conditions of the Temporary Framework (2 April).
This umbrella scheme has been amended, allowing for guarantees on loans with a maturity up to 8 years and extending the application of the scheme to 30 June 2021 (22 October). The scheme has been further amended to allow for an extension of the grace period to 24 months and allowing for refinancing loans with a maturity up to 8 years (11 December). A further amendment introduces some technical changes to earlier measures and introduces a new type of support measure aimed at covering part of the uncovered fixed costs with a maximum compensation of EUR 10 million per beneficiary (19 February 2021). A further amendment prolongs the duration of the scheme to 31 December 2021, increases the budget for direct grants to EUR 13.65 billion and the maximum amount per beneficiary to EUR 1.8 million, as well as introducing a guarantee scheme for subordinated loans (23 March 2021). A further amendment increases the budget with a further EUR 30 million and redefines the eligible companies (18 May 2021).

A third measure consisting of the second Spanish "umbrella" scheme enabling Spain to give support for the research and development, the testing and the production of coronavirus relevant products. It also includes wage subsidies and deferrals of tax and social security contributions, helping companies maintain employment (24 April). The scheme has been amended to extend the application until 31 December 2021 (23 March 2021). A further amendment redefines the eligible companies (18 May 2021).

A fourth measure consisting of the set-up of a fund with a budget of EUR 10 billion for recapitalization instruments (equity (newly issued ordinary and preferred shares) and hybrid capital instruments. In addition the fund can provide other debt and loan instruments, with or without State guarantee under the conditions set out in the first Spanish Umbrella scheme (31 July). The scheme has been amended to extend the application until 31 December 2021 (23 March 2021).

A fifth measure consisting of the set-up of a compensation aid scheme in the form of public guarantees for access to finance for self-employed persons and other undertakings that in the course of judicial insolvency proceedings have reached a composition agreement with creditors allowing the continuation of their activity that has been approved by the competent court and have suffered substantial damage due to the COVID-19 pandemic. The total estimated budget is EUR 2.5 billion (20 November).

Spain

EU State Aid Approvals

A sixth measure consisting of a reinsurance scheme to support the trade credit insurance market. The scheme is designed to supplement private reinsurance. Private insurers have the possibility to choose a coverage of public re-insurance guarantee of up to 60%. Risk and premia are then shared pro-rata between the State and the private insurers. The total budget is estimated at EUR 500 million (4 December).

Foreign Investment Restrictions

By virtue of Royal Decree-Law 8/2020 and Royal Decree-Law 11/2020, which, amongst others, amend Law 19/2003, of 4 July, on the legal regime for capital movements and economic transactions abroad, the Spanish Government has suspended the liberalized regime of foreign investment. They have introduced the requirement to obtain an ex-ante approval for certain foreign direct and indirect investments by non-EU and non-EFTA residents. Such suspension of the liberalized regime will be effective until the Spanish Government decides to withdraw it.

The requirement to obtain ex-ante approval affects both (a) foreign investments carried out by non-EU and non-EFTA residents and (b) foreign investments made by EU and EFTA residents whose ultimate beneficial owners are non-EU or non-EFTA residents. "Ultimate beneficial owners" shall be understood as individuals or entities who are in control of more than 25% of the share capital or of the voting rights of the investor, or whenever they are able to exercise control over the same –"control" as defined in art. 42 of the Spanish Code of Commerce, that is, whenever those individuals/entities have the majority of the voting rights of the investor, can appoint or remove the majority of the members of the management body or can be in possession of the majority of the voting rights of the investor by virtue of agreements with third parties.

The obligation to obtain ex-ante approval affects foreign investments (as defined above) carried out in Spanish companies when,as a result of such investment, the foreign investor would either (i) hold a stake equal or greater than 10% of the share capital of the Spanish company, (ii) acquire the right to participate in the management of or (iii) acquire control of a Spanish company (as defined in art. 42 of the Spanish Code of Commerce).

Such investments will be subject to an ex-ante authorization:

I. Where the foreign investment is carried out in sectors that may affect the public order, the public security and the public health, namely:

   i. Energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure and sensitive facilities;

   ii. Critical technologies and dual-use items, including artificial intelligence, robotics, semiconductors, cyber-security, aerospace, defence, energy storage, quantum and nuclear technologies, as well as nanotechnologies and biotechnologies;

Foreign Investment Restrictions

iii. Supply of key inputs, in particular energy, raw materials and food security;

iv. Sectors with access to sensitive information, in particular personal data, or with the ability to control such information; and

v. Media.

In any event, the Spanish government reserves itself the right to suspend the liberalization regime of foreign direct investments in sectors other than those specifically mentioned above, if they are capable of affecting the public security, the public order and the public health.

II. Where:

i. the foreign investor is directly or indirectly controlled by the government, including public bodies or the armed forces, of a third country; or

ii. the foreign investor has made investments or participated in business sectors affecting security, public order and public health in another Member State; or (c) proceedings, either administrative or judicial, have been opened against the foreign investor in another Member State or in the home State or in a third State for criminal or illegal activities.

The investments described above are subject to the prior administrative authorization granted by the Council of Ministers in accordance with the conditions established by the competent administrative authority (i.e., the regulator of the affected strategic sector). Failure to obtain authorization within six (6) months will be deemed as a rejection.

However, the following foreign investments requests will be processed through a simplified procedure, which entails a maximum deadline of 30 days for the authority to grant or deny the authorization: investments in connection to which the parties can provide evidence that they had reach an agreement or made a binding offer prior to 18 March 2020, in which they had fixed the price or the price calculation method; or if the transaction concerned has a value ranging between €1,000,000 and €5,000,000.

Under the simplified procedure, applications must be submitted to the Directorate General for International Trade and Investments, which shall decide whether to grant or reject the authorization following a prior report issued by the Board of Foreign Investment.

Foreign investments below € 1,000,000 are exempted from the requirement to obtain a prior authorization.

Any foreign investment executed without the required prior authorization shall have no legal effect until the necessary authorization is obtained and may constitute a serious infringement that may trigger the following penalties: a fine up to the economic value of the transaction with a minimum amount of €30,000 and (ii) a private or public reprimand.

Spain

Debt

Certain urgent financial measures have been implemented by the Spanish government so as to support affected businesses, particularly in the tourism sector and in respect of Small and Medium-sized Enterprises ("SMEs") and to guarantee the liquidity and stability of companies.

The most relevant measures, as mainly contemplated in Royal Decree Law 7/2020, Royal Decree Law 8/2020, Royal Decree Law 11/2020, Royal Decree Law 15/2020, Royal Decree Law 25/2020 and Royal Decree Law 34/2020 are:

- A credit line from the Institutional Credit Institute ("ICO") for an amount of EUR 400 million to meet the liquidity needs of companies and self-employed workers (with registered office in Spain) in the tourism sector, as well as related activities that are being affected by the current situation, which has already been exhausted.
- Deferral/suspension of payments in relation to loans granted by the General Secretariat for Industry and Small and Medium-sized Enterprises (*Secretaría General de Industria y de la Pequeña y Mediana Empresa*), the Secretariat of State for Tourism and/or an Autonomous Community or Local Institution/Township.
- The approval of a credit line backed by the Spanish State to guarantee liquidity of companies and the self-employed ("Liquidity Line of Guarantees") (as amended by Royal Decree Law 15/2020, Royal Decree Law 25/2020 and Royal Decree Law 34/2020).
  This Liquidity Line of Guarantees consists in the granting of guarantees by the Ministry of Economy and Digital Transformation to back financing to be granted by credit institutions, financial credit establishments, electronic money institutions and payment institutions to companies and the self-employed to meet their needs arising from, among others, managing invoices, revolving capital requirements, maturities of financial or tax obligations or other liquidity needs. Pursuant to Royal Decree Law 15/2020, this Liquidity Line of Guarantees can also be destined to the Spanish Refinancing Company CERSA and the promissory notes incorporated into the Bond Market of the Association of Financial Assets Intermediaries (AIAF) and the Alternative Bond Market (MARF).
  The Liquidity Line of Guarantees, which will amount up to a maximum of EUR 100 billion (divided into tranches to be consecutively approved), can be requested until 1 June 2021 and granted until 30 June 2021.

  Moreover, pursuant to Royal Decree Law 34/2020, the maturity of the loan guarantees for transactions formalized prior to 18 November 2020 may be extended for a maximum period of 3 years, provided that the term of the transaction guaranteed does not exceed 8 years from the date of initial formalization of the transaction. It is also possible to request an extension of the grace period for the repayment of the principal of the guaranteed financing transaction by a maximum of 12 additional months.

Debt

i. The first tranche has been approved on 24 March 2020 for a maximum amount of EUR 20 billion, which shall apply to companies and self-employed (with corporate address in Spain) affected by the economic effects of COVID-19, provided that they were not in default on 31 December 2019 nor under insolvency proceedings as of 17 March 2020 and that they are not "in difficulty" pursuant to section 18 of article 2 of the Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty ("Regulation 651/2014").
The line of guarantees may cover both new loans and renewals of existing loans, provided that they are requested before 30 September 2020 (the application deadline has been extended until 1 June 2021 in accordance with the agreement of the Council of Ministers dated 24 November 2020) and in relation to loans executed or renewed after 17 March 2020; and will amount up to (i) 80% of new loans and renewals requested by SMEs and self-employed, and (ii) 70% of new loans and 60% of renewals requested by companies (i.e., other than SMEs and self-employed). The term of the loan guarantee shall match the term of the relevant guaranteed loan, up to a maximum of 5 years. There is a maximum loan amount per client depending on whether the loan exceeds the amount of EUR 1.5 million or not. In summary, for loans up to EUR 1.5 million, the maximum amount of the guaranteed loan/refinancing operation by client is EUR 1.5 million; and for loans above EUR 1.5 million, up to the maximum provided for in the European Commission's Temporary Framework for State Aid for both the self-employed and companies. The application for the financing shall be made directly before the relevant financial entity, which will decide on the granting of the relevant financing to the client in accordance with its internal procedures and granting and risks' policies. In particular, and unless other conditions are imposed by the ICO to each entity, the particular conditions (including interest rates) applicable to the loans will in principle be determined at the discretion of each financial entity taking into account each client's solvency and risks. The financial cost of the guarantees will be between 20 and 120 basic points, which will be assumed by the relevant financial entity.

ii. The second tranche has been approved on 10 April 2020 for a maximum amount of EUR 20 billion, which shall apply only to SMEs and self-employed (with corporate address in Spain) affected by the economic effects of COVID-19, provided that they were not in default on 31 December 2019 nor under insolvency proceedings as of 17 March 2020 and that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014.
The terms and conditions set out in the agreement of the Council of Ministers dated 24 March 2020 in relation to the approval of the first tranche of ICO credit lines are also applicable to this second tranche, to which certain specific provisions included in the agreement of 10 April 2020 also apply, in particular, but not limited to: (i) the eligible new loans and renewals are granted by credit institutions, financial credit establishments, electronic money institutions and payment institutions to SMEs and self-employed workers, provided that such financial entities have adhered to the ICO master agreement by 15 May 2020; (ii) the costs of new loans and renewals that benefit from these

Debt

guarantees shall be in line with the costs applied before the commencement of the COVID-19 crisis and therefore, in general, they shall be lower than the costs of loans and other operations for the same type of client which are not covered by the guarantee; and (iii) under no circumstances the financial entities are entitled to make the granting of a guaranteed loan conditional on the customer taking out other products.

iii. The third tranche has been approved on 5 May 2020, which contemplates the following:

a. EUR 20 billion will be destined to guarantee new loans and renewals of existing loans granted to companies and self-employed (with corporate address in Spain) affected by the economic effects of COVID-19, provided that they were not in default on 31 December 2019 nor under insolvency proceedings as of 17 March 2020 and that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014. The terms and conditions set out in the agreements of the Council of Ministers dated 24 March 2020 and 10 April 2020 in relation to the approval of the first and second tranche of ICO credit lines are also applicable to this third tranche, to which certain specific provisions included in the agreement of 5 May 2020 also apply, in particular, but not limited to: (i) the financial entities are not entitled to charge any financial cost or expense on any of the amounts undrawn by the client; and (ii) the financial entities must comply with all requirements set out in the agreements of the Council of Ministers and in the Master Agreement entered into with ICO, without prejudice that its material breach is considered a disciplinary offense.

b. EUR 4 billion will be destined to guarantee the issuance of promissory notes by non-financial companies (with corporate address in Spain) which, prior to the entry into force of Royal Decree Law 15/2020, have promissory note programmes in force and incorporated into MARF, provided that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014 (in particular, the issuing companies cannot be under insolvency proceedings as of 17 March 2020) and that the promissory notes are issued in accordance with a promissory note program incorporated into MARF prior to 30 September 2020.
This financing shall also be applied by the relevant non-financial companies to meet their needs arising from, among others, managing invoices, revolving capital requirements, maturities of financial or tax obligations or other liquidity needs.
The guarantee will cover a maximum of 70% of the amount of each issuance. The term of the guarantee issued shall match the term of the relevant guaranteed promissory note, up to a maximum of 2 years. The financial cost of the guarantees will be: (i) 30 basic points per annum for promissory notes with a maturity of up to 1 year and (ii) 60 basic points per annum for promissory notes with a maturity of more than 1 year and up to 2 years.

Debt

iii. EUR 500 million will be destined to reinforce the guarantees granted by CERSA for purposes of counter-guaranteeing or partially covering the risk assumed by Mutual Guarantee Companies (Sociedades de Garantía Recíproca) for SMEs, which shall also apply this financing to meet their needs arising, among others, from managing invoices, revolving capital requirements, maturities of financial or tax obligations or other liquidity needs.
The maximum guarantee will be 80%, although it may vary in each transaction to complement the guarantee granted by the European Investment Fund to CERSA, without both guarantees exceeding 90% of coverage. The term of the guarantee issued shall match the term of the relevant re guarantee approved by CERSA, up to a maximum of 5 years. The guarantees can be requested since 1 April 2020 and until 30 September 2020 (the application deadline has been extended until 1 June 2021 in accordance with the agreement of the Council of Ministers dated 24 November 2020).

i. The fourth tranche has been approved on 19 May 2020 for a maximum amount of EUR 20 billion, which shall apply only to SMEs and self-employed (with corporate address in Spain) affected by the economic effects of COVID-19, provided that they were not in default on 31 December 2019 nor under insolvency proceedings as of 17 March 2020 and that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014.
The terms and conditions set out in the agreements of the Council of Ministers dated 24 March 2020, 10 April 2020 and 5 May in relation to the approval of the first, second and third tranche of ICO credit lines are also applicable to this fourth tranche.

ii. The fifth tranche has been approved on 16 June 2020, which contemplates the following:

1. EUR 12.5 billion will be destined to guarantee new loans and renewals of existing loans granted to companies and self-employed;
2. EUR 2.5 billion will be destined to guarantee new loans and renewals of existing loans granted to SMEs and self-employed in the tourism sector and related activities; and
3. EUR 500 million will be destined to guarantee new financing granted to companies and self-employed for the acquisition or leasing of new vehicles for professional use.

The terms and conditions set out in the agreements of the Council of Ministers dated 24 March 2020, 10 April 2020, 5 May 2020 and 19 May 2020 in relation to the approval of the first, second, third and fourth tranche of ICO credit lines are also applicable to this fifth tranche.

Debt

- The approval of another credit line backed by the Spanish State to guarantee the financing granted by supervised financial institutions to companies and the self-employed to meet their financial needs arising from the undertaking of new investments ("Investment Line of Guarantees") pursuant to Royal Decree Law 25/2020 (as amended by Royal Decree Law 34/2020).

  Pursuant to Royal Decree Law 34/2020, this Investment Line of Guarantees can also be destined to the promissory notes incorporated into the Alternative Bond Market (MARF).

  The agreements of the Council of Ministers dated 28 July 2020 and 24 November 2020, respectively, approve and distribute as follows:

  i. The first tranche has been approved on 28 July 2020 for a maximum amount of EUR 8 billion, which shall apply to companies and self-employed (with corporate address in Spain) affected by the economic effects of COVID-19, provided that they were not in default on 31 December 2019 nor under insolvency proceedings as of 17 March 2020 and that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014.

  Its purpose is to cover the financing granted by credit institutions, financial credit establishments, electronic money institutions and payment institutions to companies and the self-employed to meet their liquidity needs (i) arising from the company's running costs (among others, payment of salaries, invoices, working capital requirements, maturities of financial or tax obligations) or (ii) arising from new investments undertaken, provided that such financial entities had already formalized with the ICO the master agreement of the line of guarantees approved by Royal Decree Law 8/2020 and was effectively operational as of 15 May 2020 in accordance with the agreement of the Council of Ministers dated 10 April 2020.

  This first tranche may cover new loans, provided that they are requested before 1 December 2020 (the application deadline has been extended until 1 June 2021 in accordance with the agreement of the Council of Ministers dated 24 November 2020) and in relation to loans executed after 29 July 2020; and will amount up to (i) 80% of new loans requested by SMEs and self-employed, and (ii) 70% of new loans requested by companies (i.e., other than SMEs and self-employed).

  The funding obtained should be used exclusively for some of the following concepts: (i) new investment within the national territory, including expenses related to the investment that are justified by the company, provided that the investment is made within twenty-four (24) months from the formalization of the loan; (ii) current and capital expenditure associated with or intended for, among others, the acquisition, rental or leasing of the extension, adaptation or renewal of productive and service capacities or for the restart of the activity, including the creation and

Debt

maintenance of employment, equipment, or facilities, supplies of materials and goods and services related and R+D+i expenses, among others; (iii) financing needs derived from, among others, salary payments, invoices or maturities of financial or tax; obligations. Refinancings, restructurings, renegotiations, renewals of outstanding loans, the cancellation or early repayment of loans, or the allocation of funds to finance commercial or non-commercial debtors are not the purpose of this line of guarantees.

The term of the loan guarantee shall match the term of the relevant guaranteed loan, up to a maximum of 8 years. There is a maximum loan amount per client depending on whether the loan exceeds the amount of EUR 1.5 million or not. In summary, for loans up to EUR 1.5 million (within a period not exceeding 8 years), the maximum amount of the guaranteed loan by client is EUR 1.5 million. This limit shall be calculated considering both the new loans obtained and the financing received from the Liquidity Line of Guarantees approved in Royal Decree Law 8/2020. On the other hand, for loans above EUR 1.5 million (considering both the new loans obtained and the financing received from the Liquidity Line of Guarantees approved in Royal Decree Law 8/2020), the principal loan amount may not exceed: (i) double of the annual wage bill of the client for 2019, (ii) 25% of total turnover of the client in 2019, or (iii) with appropriate justification and based on a self-certification by the client of its liquidity needs, the principal loan amount may exceed the above criteria to cover liquidity needs for 18 months from the time the financing is granted, for SMEs and self-employed, and for 12 months from the time the financing is granted, for non-SMEs.

The application for the financing shall be made directly before the relevant financial entity, which will decide on the granting of the relevant financing to the client in accordance with its internal procedures and granting and risks' policies. In particular, and unless other conditions are imposed by the ICO to each entity, the particular conditions (including interest rates) applicable to the loans will in principle be determined at the discretion of each financial entity taking into account each client's solvency and risks. The financial cost of the guarantees will be between 20 and 285 basic points depending on the duration of the endorsement and the type of beneficiary, which will be assumed by the relevant financial entity. The costs of new loans that benefit from these guarantees shall be in line with the costs applied before the commencement of the COVID-19 crisis and therefore, in general, they shall be lower than the costs of loans and other operations for the same type of client which are not covered by the guarantee; and (iii) under no circumstances the financial entities are entitled to make the granting of a guaranteed loan conditional on the customer taking out other products.

Debt

ii. The second tranche has been approved on 24 November 2020 for a maximum amount of EUR 2.5 billion, which shall apply to companies and self-employed workers (with registered office in Spain) affected by the economic effects of COVID-19 which are in the execution phase of the settlement agreement (en fase de ejecución del convenio concursal) within an insolvency proceeding (concurso de acreedores), provided that (i) they were not in default on 31 December 2019 under the settlement agreement and can prove it by means of a judicial report or of a report from the liquidator; or (ii) if the settlement agreement phase had begun in 2020, they must prove that, at the date of the loan application, they were not in default.

Its purpose is to cover the financing granted by credit institutions, financial credit establishments, electronic money institutions and payment institutions to companies and the self-employed which are in the execution phase of the settlement agreement to meet their liquidity needs, provided that such financial entities had already formalized with the ICO the master agreement of the line of guarantees approved by Royal Decree Law 25/2020 effectively operational as of 25 November 2020.

This second tranche may cover new loans, provided that they are requested before 1 June 2021 and in relation to loans executed after 26 November 2020; and will amount up to (i) 80% of new loans requested by SMEs and self-employed, and (ii) 70% of new loans requested by companies (i.e., other than SMEs and self-employed). Notwithstanding the above, the maximum nominal amount of the guarantee is subject to the following limits: (i) 90% of the reduction experienced by the company's EBITDA between 14 March and 20 June 2020 compared to the same period of the previous year; (ii) in the case of self-employed workers subject to direct income tax assessment (estimación directa en el IRPF), 90% of the reduction of the net yield between 14 March and 20 June 2020 compared to the same period of the previous year, adjusting both figures by adding the interest paid by the self-employed, as well as the depreciations and amortizations. The term of the ban guarantee shall match the term of the relevant guaranteed loan, up to a maximum of 8 years.

The application for the financing shall be made directly before the relevant financial entity, which will decide on the granting of the relevant financing to the client in accordance with its internal procedures and granting and risks' policies. In particular, and unless other conditions are imposed by the ICO to each entity, the particular conditions (including interest rates) applicable to the loans will in principle be determined at the discretion of each financial entity taking into account each client's solvency and risks. The financial cost of the guarantees will be between 20 and 285 basic points depending on the duration of the endorsement and the type of beneficiary, which will be assumed by the relevant financial entity. The costs of new loans that benefit from these guarantees shall be in line with the costs applied before the commencement of the COVID-19 crisis and therefore, in general, they shall be lower than the costs of loans and other operations for the same type of client which are not covered by the guarantee; and (iii) under no circumstances the financial entities are entitled to make the granting of a guaranteed loan conditional on the customer taking out other products.

Debt

iii. The third tranche has also been approved on 24 November 2020, for a maximum amount of EUR 50 million, which will be destined to guarantee the issuance of promissory notes by non-financial companies (with corporate address in Spain) which are in the execution phase of the settlement agreement within an insolvency proceeding and that, prior to the entry into force of Royal Decree Law 34/2020, have promissory note programs in force and incorporated into MARF (which have been renewed or incorporated into MARF prior to the granting of the guarantees), provided that (i) they were not in default on 31 December 2019 under the settlement agreement and can prove it by means of a judicial report or of a report from the liquidator; or if the settlement agreement phase had begun in 2020, they prove that, at the date of the loan application, they were not in default; and that (ii) the promissory notes are issued in accordance with a promissory note program incorporated into MARF prior to 30 June 2021.

This financing shall also be applied by the relevant non-financial companies, which are in the execution phase of the settlement agreement, to mainly meet their liquidity needs. The guarantee will cover a maximum which may not exceed either of the following two amounts: (i) 70% of the amount of each issuance; and (ii) 90% of the reduction experienced by the company's EBITDA between 14 March and 20 June 2020 compared to the same period of the previous year. The term of the guarantee issued shall match the term of the relevant guaranteed promissory note, up to a maximum of 2 years. The financial cost of the guarantees will be: (i) 30 basic points per annum for promissory notes with a maturity of up to 1 year and (ii) 60 basic points per annum for promissory notes with a maturity of more than 1 year and up to 2 years.

iv. A fourth tranche has been approved on 24 November 2020, for a maximum amount of EUR 250 million, which will be destined to guarantee the issuance of promissory notes by non-financial companies (with corporate address in Spain) which, prior to the entry into force of Royal Decree Law 15/2020, have promissory note programs in force and incorporated into MARF (which have been renewed or incorporated into MARF prior to the granting of the guarantees), but were not able to benefit from the tranche provided for in the agreement of the Council of Ministers dated 5 May 2020, provided that they are not "in difficulty" pursuant to section 18 of article 2 of the Regulation 651/2014 (in particular, the issuing companies cannot be under insolvency proceedings as of 17 March 2020) and that the promissory notes are issued in accordance with a promissory note program incorporated into MARF prior to 30 June 2021.

The terms and conditions set out in the agreement of the Council of Ministers dated 24 November 2020 in relation to the approval of the third tranche of the Investment Line of Guarantees are also applicable to this fourth tranche.

Spain

Debt

- The creation of a line of insurance coverage of up to EUR 2 billion from the Risk Reserve Fund for Internationalisation to cover revolving loans to Spanish exporters considered as SMEs, as well as other non-listed companies, provided that they operate internationally or are in the process of becoming international and face a liquidity problem or lack of access to finance as a result of the impact of the COVID-19 crisis on their economic activity. Coverage will be provided by Compañía Española de Seguros de Crédito a la Exportación S.A. Cía. de Seguros y Reaseguros (CESCE), S.M.E. in its own name and on behalf of the Spanish State. Pursuant to Royal Decree Law 25/2020, this line of insurance coverage has been also made available to listed companies, which can only apply for up to a maximum of 35% of the total amount of the line.
- State financial support, through ICO financing, to SMEs for the purchase and leasing of equipment and services for the digitalization of SMEs and telework solutions measures for SME digitalisation.
- Refinancing of loans granted by the General Secretariat for Industry and Small and Medium-sized Enterprises (*Secretaría General de Industria y de la Pequeña y Mediana Empresa*), provided that the health crisis caused by the COVID-19 has led to periods of business inactivity for the beneficiary; reduction of its sales; or supply interruptions in the value chain.
- Setting up a fund (managed by the Management Council through the state-owned industrial holding company, known as SEPI) to support strategic companies' solvency, aimed at offsetting the impact of the health emergency on solvent companies' balance sheets, when these are considered strategic for the national or regional productive and economic fabric, among other reasons, on account of their significant social and economic impact, their role in terms of security, public health, infrastructure, communications or their contribution to the smooth operation of the markets, in cases where credit or liquidity support measures are not sufficient to ensure continuity of their activity, provided that they comply with the eligibility criteria in accordance with the Royal Decree Law 25/2020 (in particular, but not limited to: (i) being a non-financial company with registered office and main workplaces located in Spain; (ii) not being company "in difficulty" pursuant to Regulation 651/2014; or (iii) not having filed for voluntary insolvency, having been declared insolvent, having been declared for insolvency unless a settlement agreement has entered into force, being subject to court proceedings or having been debarred without the period of debarment established in the judgment decreeing the insolvency having concluded).

  Financing operations through the fund is intended as a last resort and must comply with the European Union's State Aid rules, in order to ensure that operations comply with the principles of proportionality, equal treatment and protection of the public interest.

Spain

Debt

This provisional state support shall be given through either of the following instruments: (i) any capital instruments and/or hybrid capital instruments (such as equity loans, convertible debt, subscription of shares or stock); (ii) the granting of loans or the subscription of privileged, ordinary or subordinated, insured or unsecured debt. The instruments used will be selected in such a way that they are best adapted to meet the needs of the recipient while being those that least distort competition.

Operations financed from the fund may not be less than EUR 25 million per recipient, except in duly substantiated exceptional cases. The maximum amount of provisional state support operations may not exceed the minimum amount required to allow the undertaking to become viable again and may not result in an increase in net assets of the recipient undertaking in excess of those recorded on 31 December 2019.

To read more about this topic, please see this alert:

Royal Decree-Law 19/2020, dated 26 May, which passed complementary agricultural, scientific, employment, social security and tax measures to mitigate the effects of COVID-19

Application of the Rebus Sic Stantibus Doctrine to suspend payment obligations and financial covenants under a refinancing agreement

Restructuring & Insolvency

Deferral of payments/payment moratoriums:

a. Deferral/suspension of payments provided in relation to the loans granted by the General Secretariat for Industry and Small and Medium-sized Enterprises (*Secretaría General de Industria y de la Pequeña y Mediana Empresa*).

b. Payment moratoriums implemented in relation to non-mortgage and mortgage debt, and rental debt, each and all applicable to natural persons/individuals, either employed or self-employed, provided that they are under an "economically vulnerable situation" (as this term is defined under the COVID-19 related Spanish regulation) due to the COVID-19 outbreak:

- Moratorium on non-mortgage loans (including consumer credit) during the moratorium period (i.e., three months from the debtor's request for suspension to the creditor, accompanied by the required documentation, so that the "economically vulnerable situation" of the debtor is accredited, extendable if the Council of Ministers agrees to do so), the creditor will not be entitled to demand payment of principal or interest, either in full or in part, and neither ordinary interest nor default interest will be accrued during such period.
- Moratorium on mortgage loans for the acquisition of:
  - i. main residence
  - ii. property intended for the economic activity/business of entrepreneurs and professionals (i.e., individuals who meet the conditions set out in Article 5 of the VAT Act)
  - iii. dwellings (other than the main residence) that are rented out and in respect of which the mortgagor (the natural person who is the owner and lessor of said dwellings) has ceased to receive rental income due to the entry into force of the state of emergency or has ceased to receive it in a period of up to one month after the state of emergency ends.

During the moratorium period (i.e., three months since the creditor grants such a suspension, which will be granted within a maximum period of 15 days from the debtor's request for suspension, accompanied by the required documentation so that the "economically vulnerable situation" of the debtor is accredited), which can be extended if the Council of Ministers agrees to do so, the creditor will not be entitled to demand payment of principal or interest under the loan or to accelerate or enforce the loan. Likewise, the debt will not accrue either ordinary interest or default interest during such period.

Spain

Restructuring & Insolvency

- Moratorium on rental debt under lease agreements for main residence (with different alternatives depending on the landlord characteristics (i.e., in case it is a major landlord or a small landlord)).

In relation to the lease agreements for a main residence, please note that an extraordinary extension thereof for a maximum period of six months has also been provided.

Filing for insolvency:

Until 14 March 2021, debtors in a state of insolvency will not have the obligation to file for insolvency and those filings made by creditors before such date will not be accepted. In particular, the debtor's filing for insolvency will have preference over any filing made by creditors.

Also, debtors who have submitted a notice to the court acknowledging their state of insolvency (pre-insolvency notice) while trying to negotiate a restructuring agreement or an anticipated proposal for a composition agreement will not be obliged to file for insolvency, if the insolvency is not overcome, in the four months following the submission of this notice, to the extent that the notice was filed by 31 December 2020. Otherwise, the general regime of the Spanish Recast Insolvency Act shall apply (according to which the obligation to file for insolvency arises two months after filing the pre-insolvency notice, and the filing for insolvency shall take place in the following month).

Contractual default:

In case of default by any of the parties to a contract, the defaulting party may argue that the relevant breach has taken place because of the COVID-19 situation and invoke force majeure or *rebus sic stantibus* grounds in order to consider that no such breach exists. Court decisions will be taken on a case-by-case basis.

Finally, although there is no actual project to amend the Insolvency Act as a result of the COVID-19 situation, note that a Recast Text of the Insolvency Act (*Texto Refundido de la Ley Concursal*) was approved on 5 May 2020 and entered into force on 1 September 2020.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

PIT:

For fiscal year 2020, the donations made to entities regulated under Law 49/2020 may benefit from an increase of 5% of the tax credit foreseen.

CIT/EIT:

- New special rules will be applicable for the submission of Corporate Income Tax return of FY19. The filing deadline for this tax has not changed. However, a second self-assessment may be submitted up to 30 November if the tax return based on the annual accounts approved by the corporate body is different from the tax return that was originally filed on the basis of the available annual accounts.
- Extraordinary option to pay the tax base for Corporation Tax in installments: for those taxpayers with a net turnover of less than 6 million euros in the 12 months prior to the start of the fiscal year commencing on 1 January 2020 (and who did not opt for the tax base method) may opt for the tax base method provided for in Article 40.3 of the Corporate Income Tax Act within the first 20 calendar days of October by making the instalment payment in due time (i.e., it must be paid on time for their choice to be valid). This option would not apply to tax groups.
- For fiscal year 2020, improvement of tax credits to provide aid to the cultural sector within COVID-19 crisis:
  - Tax rebate for foreign film productions. The applicable percentages are increased compared to the existing ones: (i) a 30% with respect to the first million of eligible expenses and (ii) a 25% over the remaining eligible expenses. In the Canary Islands, the percentages are increased to a 54% and 45%, respectively. Additionally, the maximum cap of the tax credit has been increased substantially from 3 million Euros to 10 million Euros.
  - Tax credit for investments in Spanish film productions (feature films, audio-visual fiction, animation or documentary series and short films.) The applicable percentages are increased compared to the existing ones: (i) 30% with respect to the first million of qualifying expenses and ii) 25% on the excess of said amount. In the Canary Islands, the percentages are increased to 54% and 45%, respectively. The most relevant change is that the maximum cap of the tax credit is increased substantially, from 3 million Euros to 10 million Euros and more scenarios have been approved in which the joint limit (deduction plus aid) of 50% of the production cost is increased (in some cases it can be up to 85% of the production cost).

Taxation

New tax measures for the Automotive Industry in the Corporate Income Tax.

- Increase from 12% to 25%, the tax deduction of some expenses incurred in technological innovation activities whose result is a technological advance in obtaining new production processes in the value chain of the automotive industry or substantial improvements in existing ones. This measure will be applicable for fiscal years 2020 and 2021 and it is required a reasoned report issued by the Ministry of Economy and Competitiveness or by an specific agency.
- Free to decide on the depreciation of certain new assets related to the automotive industrial sector up to a maximum of Eur 500,000. It will be applicable to investments made in the year 2020 and made available to the taxpayer within that year. Moreover, it will be applicable from coming into operation of the assets (deadline to begin: 2021, December, 31st). It is required to preserve the employment level in 2019 and a reasoned report issued by the Ministry of Industry, Trade and Tourism.

Social Security/ Employment / Wage Taxes / Personal Income Tax

New situations in which pension plans may be redeemed: from 2 April to 2 October (such period can be extended), participants of pension plans and insured persons of assured saving plans, company saving plans and social benefit mutual entities may dispose of their accumulated savings, if they have been affected by the irruption of COVID-19 (unemployed workers, owners of closed establishments and self-employed workers who have ceased their activity or,while still in business, have reduced their turnover by at least 75%).

VAT

0% VAT rate applicable to supplies, imports and intra-Community acquisitions of goods that are needed to deal with the effects of the COVID-19.

VAT on electronic books, newspapers and magazines is reduced to 4%. VAT taxation on like publications, be they supplied in a hard-copy or electronic format, is now the same.

VAT and excise duties on electricity, natural gas and fuel invoices. Invoices for which payment has been suspended under RDL 11/2020 are exempt from paying VAT and excise duties until the consumer has paid them in full, or six months have elapsed since the end of the State of Emergency (June 21st).

Spain

Taxation

Excise / Import duties

Deferment of certain custom taxes. For custom tax returns filed between 2 April and 30 May (both included), a request for deferment may be made, provided that the importer is a SME (turnover not exceeding 6,010,121.04 euros in 2019) and debt does not exceed 30,000 euros and is more than 100 euros. This deferral shall be for six months, with no default interest for the first three months.

Other taxes

Digital Service Tax:

A bill is under consideration in parliamentary process of approval.

Other Taxes:

- Local taxes such as real state tax (IBI) or business activity (IAE) could benefit from deferments or tax reliefs depending on the regulation approved by each town or city.
- In relation to national and provincial payments of business activity tax, a new payment period has been approved from September 16 to November 20.
- Other regional taxes deferments or tax relief also depends on the regulation approved by each Autonomous Region.

Comments

Tax audits and procedures through digital systems such as video conference or other similar system

It will happen by decision of the Tax Administration and will require the agreement of the taxpayer in relation to its use.

- Deferred tax payments for debts arising from tax returns and self-assessments (excluding customs debts): It includes a deferral of all tax returns and self-assessments whose filing and payments dates fall between 13 March 2020 and 30 May 2020 (both inclusive).The term for the deferral is 6 months and no interest shall accrue during the first four months. Such tax measure can be applied by any company with a turnover that in FY19 is less than 6,010,121.04 euros.
- Suspension of administrative jurisdiction deadlines (including tax claims) from March 14th to June 1st. Notwithstanding the foregoing, given the large number of cases and subject matter, we recommend reviewing matters on a case-to-case basis, to know exactly how long each period will last.

Spain

Taxation

Comments

- Suspension of limitation and expiration periods: limitation and expiration periods for any actions or rights shall be suspended from March 14th to June 4th.f.
- Deadlines for the execution of Economic-Administrative Courts decisions: the period between 14 March and 30 May shall not count towards the maximum duration of the execution period of tax courts decisions.
- Suspension of procedural deadlines from March 14th to June 4th. Notwithstanding the foregoing, given the large number of cases and subject matter, we recommend reviewing matters on a case-to-case basis, to know exactly how long each period will last.
- The enforcement period for certain tax debts will not yet commence (case of granting financing with coverage provided by the State).
- Restrictions on dividend distribution and measures regarding tax transparency. This measures restrict or prevent companies from accessing the benefits linked to the COVID19-force-majeure ERTEs (temporary redundancy procedures).
  - Companies and entities whose tax domicile is in countries or territories classified as tax havens under current regulations will not be eligible to file for COVID19- force-majeure ERTEs.

Companies or other legal persons that use the public resources allocated to COVID19-force-majeure ERTEs may not distribute dividends for the fiscal year in which said temporary redundancy procedures are applied. The distribution of dividends will only be possible if the companies previously pay the amount that was exempted from their social security

To read more about this topic, please see this alert:

Royal Decree-Law 19/2020, dated 26 May, which passed complementary agricultural, scientific, employment, social security and tax measures to mitigate the effects of COVID-19

New support measures for temporary redundancy schemes in Spain

Sweden

EU State Aid Approvals

A first guarantee scheme with a total budget of EUR 9.1 billion to provide State guarantees on new loans granted by commercial banks to support companies, mainly small and medium-sized enterprises (SMEs), affected by the coronavirus outbreak. (2 April)

A second loan guarantee scheme for airlines with a Swedish license that are important to secure connectivity in Sweden aimed at providing sufficient liquidity to ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability and to preserve the continuity of economic activity during and after the current crisis. The total estimated budget is EUR 455 million. (11 April)

A third scheme providing for rent rebate in support of tenants operating in the sectors for hotels, restaurants, retail and certain other activities. The total estimated budget is EUR 453 million (15 April). The scheme has been amended to allow for support up to 28 February 2021 (23 February 2021). The scheme has been further amended to allow for support up to 31 March 2021, to increase the maximum rent rebate and to increase the total budget to EUR 795 million (31 March 2021).

A fourth measure in the form of direct grants to organisers of or operators active at cultural events. The measure will compensate for 75% of the loss of revenue or additional costs up to approx. EUR 90 600 and 50% of loss of revenue or additional costs over EUR 90 600, subject to available funds. Aid to an organiser or other operator may be granted up to a maximum amount of approx. EUR 906 000. Total budget estimated at EUR 38 million (22 April). The application of this measure has been extended to also cover the events that would be organised between 1 June and 30 September. This will be accompanied by an estimated budget increase of EUR 56 million (5 October). The scheme has been further amended to cover events that would be organised between 1 October to 31 December. This will be accompanied by an estimated budget increase of EUR 29.6 million (15 February 2021).

A fifth measure consisting of a State guarantee of up to approximately EUR 137 million on a revolving credit facility in favour of Scandinavian airline SAS (24 April).

A sixth measure consisting in aid in the form of direct grants to companies having suffered a decline in turnover of at least 30% in the months of March and April. The grants can cover a maximum of 75% of the fixed costs that the companies still had to bear, with a maximum aid amount of approximately EUR 14 million per company. The total budget is estimated at EUR 3.7 billion (11 June). The scheme has been amended to prolong its application and also cover compensation for turnover decline in the month of May. The overall budget has not changed (12 October). The scheme has been further amended to prolong its application and also cove compensation for turnover decline in the months of June and July 2020. Further technical changes have also been made (5 March 2021).

Sweden

EU State Aid Approvals

A seventh measure consisting of aid to passenger ferry companies in the form of tax deductions on wage-related costs for seafarers employed on vessels that have been taken out of traffic and lie at quay due to measures imposed in response to the COVID-19 outbreak. The total estimated budget is approx. EUR 9.8 million (6 July). The scheme has been amended to allow for compensation for the damage incurred between 1 August and 31 December 2020 as well as some technical changes to the calculation of the compensation (21 December).

An eighth measure consisting of the EUR 486 million recapitalization of SAS. The recapitalisation measure, which was notified alongside an identical measure of EUR 583 million notified by Denmark, is part of a larger recapitalisation package (EUR 1,05 billion), which also foresees a significant participation of private investors, including the conversion of outstanding privately-held debt instruments into equity (17 August).

A ninth measure consisting of aid in the form of direct grants up to EUR 800,00 per beneficiary for companies who could resume operations in June and July but still suffered a decline in turnover. The total budget is estimated at EUR 239 million (12 October). Sweden amended the measure to extend the time period for granting the aid and therefore prolong the initial scheme until 30 June 2021 (23 November).

A tenth measure consisting of aid in the form of subsidised interest rate loans to organisers of package travel holidays which have not completely fulfilled their legal obligation to compensate travelers for cancelled trips. The total budget of the measure is estimated at EUR 66.9 million (28 January 2021).

An eleventh measure consisting of aid in the form of State guarantees on new loans granted by commercial banks to support companies, mainly small and medium-sized enterprises (SMEs), affected by the coronavirus outbreak. The measure is a renewable of the first measure and is applicable to 31 December 2021. The total estimated budget is EUR 4.9 billion (4 February 2021).

A twelfth measure consisting of aid in the form of direct grants to compensate SMEs and large enterprises for uncovered fixed costs for the period between August 2020 and February 2021 that experienced a turnover loss of at least 40 % (period August-October) or 30% (November-February). The maximum amount of aid per beneficiary is EUR 9.5 million and the total estimated budget of the measure is EUR 1,378 million (12 February 2021). The scheme has been amended to also cover the months of March and April 2021 and to increase the budget with EUR 667 million (11 March 2020).

A thirteenth measure consisting of aid in the form of direct grants to undertakings providing air ambulance services in Sweden. The aid is intended to compensate for uncovered fixed costs (up to a maximum of 70%) incurred in the period from 1 January to 30 June 2021, with a maximum of EUR 1.6 million per undertaking. The total estimated budget of the measure is EUR 4.96 million (5 March 2021).

Sweden

EU State Aid Approvals

A fourteenth measure consisting of aid in the form of subsidised interest rate loans to support SMEs offering air traffic control services which were affected by coronavirus outbreak. The scheme is aimed to cover the losses for 2020 and 2021 and the total estimated budget is EUR 16.3 million (10 March 2020).

To read more about this topic, please see this alert: Sweden and the EU: Competition law, public procurement and state aid in the wake of COVID-19

Foreign Investment Restrictions

COVID-19 has had no impact on Sweden's foreign investment review regime.

Debt

The Swedish Government has released several crisis packages to mitigate the economic consequences for companies:

- A range of measures have been presented to make it easier for Swedish businesses, particularly small- and medium-sized businesses, to access finances. Almi Företags partner received a capital contribution of SEK 3 billion, and was made subject to less strict requirements regarding financing, to increase its lending to small- and medium-sized businesses throughout the country. The Swedish Export Credit Corporation's credit facility has been increased from SEK 125 billion to SEK 200 billion and can be used to provide both state-supported and commercial credit to Swedish export companies. Furthermore, the Swedish Export Credit Agency will decide on credit guarantees that entail new and improved credit opportunities for businesses. With an increased credit guarantee ceiling of SEK 500 billion, companies will have improved opportunities to borrow. On March 19, 2020, the Parliament voted in favor of the Government's proposal that the Government has the right to issue credit guarantees of up to SEK 5 billion for loans to airlines, of which SEK 1.5 billion is directed to Scandinavian Airlines. On April 16, 2020, the Government issued an ordinance to support companies in certain sectors (retail, hotels, restaurant etc.) by covering 50 percent of rent reductions up to 50 percent of the fixed rent. Landlords can apply for the support retroactively for the period April 1 – June 30. The Central Bank has announced that it is loaning up to SEK 500 billion to companies via the banks to safeguard credit supply.

Sweden

Debt

The Swedish financial supervisory authority (Sw. Finansinspektionen) has announced that it is lowering the countercyclical capital buffer to zero to safeguard a well-functioning credit supply. On 24 September 2020 and on 10 December 2020, the Government decided to prolong its commitment to guarantee 70 percent of new loans from banks, which in turn issue guaranteed loans to companies. The state will continue to guarantee new loans until 30 June 2021. However, the guarantee framework for loans granted during the course of 2021 will be reduced from SEK 100 billion to SEK 50 billion. On 22 December 2020, the Government proposed temporary loans to suppliers of local traffic management, in order to secure continued traffic management at regional airports which are not state-owned. The Government proposed that SEK 164 million is allocated for this purpose.

- On 4 February 2021, the Government adopted an ordinance regarding government loans to package tour operators with the aim of enabling these operators to refund outstanding debts to travellers. The loan may be used for refunds for tours booked prior to 31 October 2020 that would have commenced during the period 1 March 2020 to 31 January 2021, or that commenced and were cut short during that period. On 28 May 2021, the Government announced that it is currently drafting a proposal which will give travel operators the option of taking government loans to refund travellers for the cancellation of replacement trips for holidays that were due to begin during the period 1 March 2020–31 January 2021.

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt sections above. However, no new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

Equity

On 3 June 2020, Parliament granted a capital contribution of SEK 400 million to the state-owned venture-capital company Almi Invest (a subsidiary of Almi Företagspartner), to be used to support small innovative companies (such as companies within the life science sector), and in order to make new investments.

On 23 June 2020, Parliament voted in favor of the Government's proposal to participate in a recapitalization of SAS AB, up to a maximum of SEK 5 billion, and allowed the Government to purchase shares or take other similar measures in order to ensure the company's survival.

On 30 June 2020, the Government announced its support for SAS' recapitalization plan, which includes several measures to reduce the company's carbon dioxide emissions. However, the Government will only participate in the recapitalization on the conditions that (i) SAS converts its debts to equity and (ii) the European Commission approves the measures.

Sweden

Taxation

Corporate income tax

N/A

Social security / Employment / Wage taxes / Personal Income Tax

The Swedish Government has proposed a temporary reduction of employer's social security contributions (only old age pension contributions are to be paid) for 1 March - 30 June 2020. The reduction applies to up to 30 employees per company and on wages not exceeding SEK 25,000 per month. The maximum tax relief per employee and month amounts to SEK 5,300, i.e., if the company has 30 or more employees a total reduction of SEK 159,000 per month may be available.

The government has extended the imposed a possibility of respite to a twelve months respite with payment of employer's fees and preliminary tax withheld from salaries to temporarily strengthen the liquidity of businesses. Up to three reporting periods may be covered by the deferral. The new regulations are proposed to enter into force on 7 April 2020.

For sole traders and partners to partnerships, the proposal includes a possibility to set aside 100 per cent of the taxable profits for 2019 up to SEK 1 million in the tax allocation reserve and hence request repayment of the preliminary tax paid for 2019. The tax allocation reserve can then be off-set against possible future losses. A new preliminary tax return can be filed to lower the monthly preliminary tax levy and repayment of tax paid during 2020 is possible.

VAT

The Swedish government has imposed a possibility of three months respite for payment of VAT. The new regulations are proposed to enter into force on 7 April 2020.

Excise / Import duties

N/A

Other taxes

N/A

Comments

N/A

Switzerland

Foreign Investment Restrictions

Switzerland is planning to introduce a foreign investment review regime. No measures have been announced in specific response to COVID-19.

Debt

Federal Level: The Swiss Federal Council has put in place a package of measures including rapid access to bridge loans for SMEs suffering liquidity shortfalls as a result of COVID-19 via application to their relationship banks with the loans being secured by the Swiss Confederation. The application period for such a bridge loan ran until 31 July 2020. The conditions were that (i) each bridge loan must have not exceeded CHF 20 million and 10% of an applicant's annual turnover and (ii) the applicant declared that it is suffering substantial reductions in turnover as a result of the COVID-19 pandemic. Loans of up to CHF 500,000 are fully secured by the Swiss Confederation and bear no interest. Loans exceeding CHF 500,000 are secured by the Swiss Confederation in the amount of 85% of the principal amount plus interest for one year and lending banks may charge interest on the unsecured principal amount. Businesses with a turnover of more than CHF 500 million were not eligible for this program. Up until 19 June 2020, approximately 128'000 secured bridge loans with an estimated loan volume of up to CHF 15 billion had been granted.

The Swiss Federal Council has set up an additional program for innovative start-ups as most of them were not eligible to participate in the existing program for SMEs. Under this new program, the Swiss Confederation secures 65% and the Cantons secure 35% of the principal amount of each loan. Each Canton will have to decide whether it wants to offer these measures to start-ups located in its jurisdiction. The State Secretariat for Economic Affairs (SECO) has set out the practical criteria for this in consultation with interested Cantons and the surety organizations. Applications for loan sureties could be submitted from 7 May 2020 until 31 August 2020. Some Cantons have committed substantial financial resources to support start-ups in other ways.

To prevent the abuse of bridge loans, the State Secretariat for Economic Affairs (SECO) has issued a review concept, which seeks to reduce the risk of abuse and to identify errors in the granting of loans. The review concept will be updated and improved on the basis of current developments.

Further support is provided for specific sectors that are particularly affected by the measures of the Swiss Federal Council to combat COVID-19. In particular, the Swiss Confederation may, under certain conditions, make interest-free loans and non-repayable cash contributions to organizations in the sports and in the cultural sector.

Switzerland

Debt

Cantonal Level: In addition to the measures of the Federal Government, the Cantonal governments have announced similar measures to support the economic and cultural sectors, such as making and facilitating loans and providing other financial support in the form of emergency aid.

The Swiss Confederation may, at the request of one or more cantons, provide financial support to businesses that suffer particular hardship as a consequence of COVID-19 owing to the nature of their economic activity. In principle, a case of hardship arises where a business's annual turnover is less than 60% of its multi-annual average or if the business has or had to close its operation for at least 40 days between 1 November 2020 and 30 June 2021 as a result of federal or cantonal measures to prevent the spread of COVID-19.

To read more about this topic, please see this alert:
Masterclass in Swiss Efficiency - spotlight on Switzerland's Government-backed COVID-19 loan programme for SMEs

Restructuring & Insolvency

With effect from 20 April 2020, the Swiss Federal Council issued an ordinance, which included a temporary suspension from the directors' duty to file for bankruptcy due to over-indebtedness. Additionally, small and medium sized companies could benefit from a temporary COVID-19 moratorium. Both measures aimed to protect companies which experienced liquidity shortages as a result of the COVID-19 crisis from the threat of bankruptcy, all whilst giving them time to adapt to the new challenge COVID-19 represented. These measures were limited in time and ended after six months.

On its assembly on 14 October 2020, the Swiss Federal Council decided not to prolong the duration of the above mentioned insolvency measures. They decided, however, that the extension of the maximum duration of the temporary moratorium from 4 to 8 months, decided in the course of the revision of the law on stock companies will enter into force on 20 October 2020. This should facilitate the financial restructuring of companies, which could be of significant importance in the current circumstances.

Switzerland

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate Income Tax

The Federal Government has de facto suspended interest on arrears for direct federal tax (profit tax) for the period from 1 March 2020 to 31 December 2020. In practice, this means that federal tax bills due during this period will be actually deferred without interest despite a formal arrear situation. In order to strengthen the liquidity situation, those affected should check their federal tax bills and suspend payments if necessary. In essence, this results in an interest-free bridge loan. In addition, a tax deferral or payment by instalments can be applied for, not only for final tax bills, but also for provisional tax bills.

At the cantonal level (profit and capital tax), some cantons have so far decided to temporarily waive interest on arrears (e.g., Aargau, Basel Country, Berne, Geneva, Glarus, Grisons, Jura, Lucerne, Neuchâtel, Nidwalden, Obwalden, Schaffhausen, Schwyz, Solothurn, Ticino, Vaud, Valais, Zug, Zurich). In addition, individual cantons will temporarily suspend collection of tax debts (e.g., Berne, Lucerne, Zurich).

In some cases, it is possible to reduce provisional tax bills. Additionally, in the cantons of Aargau, Thurgau, Valais and Zug companies may create a tax provision in the 2019 financial statements of the profit. However, the tax provisions must be reversed in the 2020 financial statements. In each canton, a tax deferral or payment by instalments can be requested regardless of the specific regulations.

Switzerland

Taxation

Social Security/Employment/Wage Tax

The income and wealth tax of natural persons is subject to the same rules as the profit and capital tax of companies. Besides that, most cantons generally deferred the deadline for filing the 2019 tax return (which would regularly become due on 31 March 2020) by several months, i.e., there is no need to request a formal application for extension for the time being.

VAT

The Federal Government has also suspended interest on arrears for the purposes of value added tax, special consumption taxes, steering and customs duties for receivables due from 20 March 2020 to 31 December 2020. If those affected do not pay the corresponding tax invoices or do not pay them in full, this will have no financial consequences. The measure thus creates an interest-free bridge loan.

Excise / Import duties

N/A

Other Taxes

No specific COVID-19 measures have been taken in the area of withholding tax and stamp duties. Amounts due should therefore continue to be paid in order to avoid the high default interest rate of 5% in this area.

Comments

The Federal Government and most cantons have now set out temporary measures relating to Swiss tax with the main target to stabilize the liquidity situation of Swiss companies and individuals during the period of disruption caused by COVID-19. This is achieved primarily by uncomplicated granting of short-term aid loans and by tax measures that result in interest-free bridge loans and facilitated tax procedures.

Furthermore, the individual federal and cantonal tax laws contain general hardship provisions, which are currently of great importance despite the special COVID-19 measures described above.

Businesses and individuals should consider practical steps in order to take advantage of the existing measures.

Turkey

Foreign Investment Restrictions	COVID-19 has not had an impact on foreign investment law. However, to facilitate the foreign investment cases, the competent authority, Investment Commission, has issued a notice on 9 April 2020, allowing the POA that must be notarized, apostilled or legalized overseas for foreign investment applications can be submitted within 6 months of the approval as long as a scanned copy can be filed for review.
Debt	As of 1 May 2020, Turkish banks will be required to calculate their "asset ratio" ("AR") on a weekly basis utilizing the following formula: *Asset Ratio (AR) = [Loans + (Securities x 0.75) + (Central Bank Swaps x 0.5)] / [TRY Deposit + (FX Deposit x 1.25)]* Going forward, the monthly average AR for the relevant month cannot fall below 100% for deposit banks and 80% for participation banks. This change is expected to increase the volume of the loans to be made available to the Turkish market.
Restructuring & Insolvency	The Turkish government enacted a law stipulating that no enforcement proceedings will be initiated and no interim attachments will be exercised until 15 June 2020, which is a restriction on creditors' actions. This date may be extended. The law further stipulates that the composition's normal effects on debtors and creditors will continue during this period without any changes. Therefore, while there are some restrictions on creditors' actions, the distressed companies will still enjoy the composition's effects in favor of them.
Equity	No (semi-) equity measures have been announced.

Foreign Investment Restrictions

On 3 February 2021, the Ukrainian Parliament registered the draft law "On the making of foreign investments in the commercial entities which are strategically important for the national security of Ukraine" ("Draft Law").

The Draft Law provides an extensive list of the business activities considered strategically important for the national security of Ukraine. An applicant will be required to submit a request for the approval for making an investment to the Ministry for Development of Economy, Trade and Agriculture of Ukraine ("Ministry of Economy").

After gaining knowledge of the proposed transaction, the Ministry of Economy has to decide within 10 business days whether to open an impact assessment examination. If so, it would notify the investor within a further five business days and submit the filing to the Interagency Commission on Foreign Investments ("Commission").

The Commission is empowered to assess the impact of the specific foreign investment in accordance with the criteria, which are to be established by the Cabinet of Ministers of Ukraine. Depending on the result of the Commission's assessment, the investor may either proceed with the proposed transaction or look for alternatives. The Draft Law establishes that the decision of the Commission can be appealed in court.

Debt

On 16 June Ukrainian Parliament amended Civil and Commercial Codes whereby any borrower who either defaults under its loan obligations during the quarantine period or within one month after the quarantine ends shall not be subject to paying fines and penalties arising from his default. This measure came into force on 4 July 2020.

Also, on 18 June the Parliament amended Bancruptcy Code prohibiting the accumulation of interest under loan obligations which are being restructured or rehabilitated and establishes that a borrower in both of the foregoing scenarios is not subject to penalties for non-compliance with the respective obligations. The said measures apply during the period of quarantine and for 90 days after its end. Respectively, if the defaulted obligations were included into the restructuring or rehabilitation plan, their performance shall be spread over the period allocated for restructuring or rehabilitation. This measure came into effect on 17 October 2020.

Ukraine

Restructuring & Insolvency

Specific procedure of restructuring of non-default loans and possibility for the debtors to apply for "payment vacations" were applied as a part of amendments to the banking legislation on 26 March 2020. Payment of certain taxes was suspended (e.g., land tax) and other tax rates were reduced for the period of officially established quarantine. The term of the suretyships securing obligations was prolonged for the term of the quarantine.

There is a law initiative on amending the bankruptcy legislation in response to COVID-19 effect. This initiative is being considered by the Ukrainian Parliament but is not yet adopted.

The respective draft law suggests prohibiting the commencement of the bankruptcy proceedings in respect of the debtors, whose debt arose after 1 February 2020. It also suggests the possible suspension of auctions on sale of the debtor's assets, suspension for the term of quarantine of penalties and interest accruing on the debts restructured under the solvency renewal plan, etc. This initiative also suggests amendment of the procedural mechanisms for the term of quarantine, in particular, the mechanism of holding creditors' meetings and creditors' committee meetings, voting, execution of decisions, etc.

Equity

No (semi-) equity measures have been announced.

To read more about this topic, please see this alert:

Parliament lifts ban on sale of large-scale privatization assets

Taxation

Corporate Income Tax

In 2020, funds (value of goods) voluntarily transferred to combat COVID-19 would not fall under the tax adjustment increasing financial result by amount that exceeds 4% of the profit for previous reporting year.

Social Security/Employment/Wage Tax

Personal Income Tax

Ukraine has postponed the deadline for filing an annual PIT Return from 1 May 2020 to 1 August 2020. The deadline for payment of relevant PIT liabilities pushed forward from 1 August 2020 to 1 October 2020.

The deadline for filing annual tax returns for 2019 by individuals was extended until 1 July 2020 (previously 1 May 2020). Respective tax liabilities should be payed until 1 October 2020 (previously 1 August 2020). The amounts of PIT paid from the 300% bonus on healthcare practitioners' salaries for the period from 1 May 2020 until 30 June 2020 will be fully refunded from the state budget.

Starting from 2 April 2020, compensations for partial unemployment caused by the COVID-19 pandemic are not subject to PIT and DT.

Social Security Contributions

From 1 March 2020 through 31 May 2020, individual entrepreneurs are spared from obligation to pay the Unified Social Contribution for themselves.

VAT

Until the last calendar day of the month in which the quarantine will be terminated, import and supply on the territory of Ukraine of goods purposed to combat COVID-19 are subject to VAT exemption.

Excise / Import duties

Until 30 June 2020, goods purposed to combat COVID-19 are subject to import duty exemption.

Until the last calendar day of the month in which the quarantine is terminated, the excise tax levied on ethanol utilized for the production of disinfectants is set at UAH 0 per 1 liter.

Taxation

Other Taxes

Land Tax

From 1 March 2020 to 31 March 2020, land tax (rent) should not be levied on individuals and legal entities with respect to their land plots used in commercial activities.

Liability:

Fines for the violation of tax legislation (the SSC legislation) will not apply to violations taking place during the period from 1 March 2020 until the last calendar day of the month in which the quarantine is terminated. At the same time, violations in the following areas are not covered by the exemption from liability: VAT, excise tax, royalty tax, alienation of pledged property, long-term life insurance, operations with ethanol, fuel, alcohol and tobacco products.

No late payment interest will be charged from 1 March 2020 until the last calendar day of the month in which the quarantine is terminated. Late payment interest accrued during this period must be written-off.

Tax audits:

Temporary moratorium on tax audits subject to few exceptions is pushed back to the last calendar day of the month in which the quarantine is terminated.

Suspension of the tax audits commenced prior to 18 March 2020 is extended until the last calendar day of the month in which the quarantine is terminated.

Limitation period:

Running of tax limitation periods is suspended for the period from 18 March 2020 until the last calendar day of the month in which the quarantine is terminated.

Taxation

Suspension of statutory terms:

he following statutory terms are suspended until the last calendar day of the month in which the quarantine is terminated: terms established for filing and consideration of administrative appeals (except for certain VAT-related claims);terms established for issuance of tax rulings in writing by the tax office;

- terms established for taxpayers to provide responses to the tax office's inquiries (except for certain VAT-related inquiries).

Comments

N/A

To read more about this topic, please see this alert: Ukraine extends existing tax reliefs and introduces additional ones

Foreign Investment Restrictions	No new measures have been announced in response to COVID-19
Debt	Various initiatives have been taken by the Central Bank and the government allowing banks to tap into AED 110 billion in the Targeted Economic Support Scheme (TESS), thus allowing banks to free up their reserves and boost lending. Banks have been using the TESS, and the UAE Central Bank has encouraged and welcomed their active participation. In addition, the Central Bank has asked banks to defer loans and to grant relief as long as the COVID-19 pandemic remains. It has also taken measures in favor of SMEs by alleviating their charges.
Restructuring & Insolvency	

EU State Aid Approvals

Two schemes to support SMEs both under the "Coronavirus Business Interruption Loan Scheme" (CBILS) providing up to GBP 600 million (approximately EUR 654 million) in guarantees that cover 80% of loan facilities for SMEs with a turnover of up to GBP 45 million (approx. EUR 49 million) to cover working and investment capital needs (up to six years maturity) implemented through the British Business Bank, a national promotional bank direct grants to support SMEs up to GBP 600 million in total (approx. EUR 654 million) and EUR 800,000 per company

The schemes will run to 30 September with the possibility to extend them to 31 December 2020 (25 March). The schemes have been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (31 July). The schemes have been further amended to extend the period of application to 30 June 2021 and to increase the budget of the grant scheme to GBP 1.32 billion (8 December).

A third measure consists of a UK-wide National Temporary Framework for State aid and allows for the provision of aid in the form of:

a) Direct grants, equity injections, selective tax advantages and advance payments;

b) State guarantees for loans subject to safeguards for banks to channel State aid to the real economy;

c) Subsidised public loans to companies with favourable interest rates;

d) Support for coronavirus related research and development (R&D);

e) Support for the construction and upscaling of testing facilities to develop and test products useful to tackle the coronavirus outbreak;

f) Support for the production of products relevant to tackle the coronavirus outbreak.

The measure allows aid to be granted by UK authorities at all levels, including central government, devolved governments, local authorities and other bodies administering schemes involving state resources channeled through their own budgets (6 April). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (31 July). The scheme has further been amended to increase the budget to approx. EUR 90 billion, extend the period of application to 30 June 2021 and include subsidized interest rates for subordinated loans as well as covering of certain fixed costs (8 December).

A fourth measure consisting of aid in the form of direct grants for lower-end income self-employed individuals, including members of partnerships. The overall estimated budget is approx. EUR 10.3 billion (11 May).

EU State Aid Approvals

A fifth measure consisting of an "umbrella scheme" for State aid granted to undertakings of all sizes operating in Gibraltar (excluding financial institutions and off shore companies, holding companies and personal investment companies with no operations in Gibraltar). Aid can take the form of direct grants, loans, guarantees and support for R&D and production of COVID-19 related products. The estimated budget is GBP 100 million (6 July). The scheme has been amended to allow for support to micro and small undertakings that were already in difficulty on 31 December 2019 (31 July).

A sixth measure consisting of a guarantee scheme to support the trade credit insurance market in the context of the coronavirus outbreak. The total budget is EUR 11 billion (28 July). The measure was amended to expand the scope of the eligible beneficiaries of the measure (1 September).

A seventh measure that will take the form of subordinated loans with subsidised interest rates, will be accessible to SMEs and large companies in Scotland which have been negatively impacted by the coronavirus outbreak. The total estimated budget of the measure is EUR 16 million (24 August).

An eight measure a consisting of a scheme to compensate Scottish airports for the revenue losses suffered during the period between 1 April and 30 June 2020. The support will take the form of a relief from the 'Non-Domestic Rates', which is a tax on properties used for nondomestic purposes, such as airports. The scheme includes a claw-back mechanism to prevent overcompensation. The total budget is EUR 20 million (2 December).

A ninth measure consisting of a direct grant to H2S (Scottish poultry processor) to compensate it for the losses suffered in the period from 16 August to 1 September 2020 due to the mandatory closing of its processing facility in Scotland. The total amount of compensation is not known yet (18 December).

Foreign Investment Restrictions

The National Security & Investment Bill before Parliament Act was enacted on 29 April 2021 (but will not enter into force until late 2021). The new law will significantly expand the Government's existing powers to review the national security implications of transactions. The reforms follow concerns globally about foreign control of national businesses active in sensitive sectors, which have further intensified due to the COVID-19 crisis. Later in 2021, a mandatory national security notification system will apply to acquisitions of as little as a 25% shareholding in businesses in one of 17 strategically important industry sectors (such as defence, energy, transport, communications, data infrastructure, a range of specialised technology industries as well as critical suppliers to the Government and emergency services). Outside of the 17 focus industries, notification will be voluntary. For further information please see this alert: https://bakerxchange.com/rv/ff006d6ce13d8a60563f94da3b44bc2021df9c81

On 21 June 2020 the UK government announced changes to the UK merger control regime as a result of the pandemic.

The changes allow the government from 23 June 2020 to scrutinise certain foreign takeovers to ensure they do not threaten the UK's ability to combat a public health emergency such as coronavirus. The economic disruption caused by the pandemic may mean that some businesses with critical capabilities are more susceptible to takeovers – either from outwardly hostile approaches, or financially distressed companies being sold to malicious parties. These new powers enable the government to intervene if a business that is directly involved in a pandemic response, for example, a vaccine research company or personal protective equipment manufacturer – finds itself the target of a takeover.

In addition, the government extended existing powers to scrutinise and intervene in mergers in 3 sectors of the economy central to national security - artificial intelligence, cryptographic authentication technology and advanced materials - by lowering the merger control jurisdictional thresholds that must be met before such scrutiny can take place. This provision will be replaced by the regime under the National Security & Investment Act once it enters into force, as described above.

For further information please see this alert: https://bakerxchange.com/rv/ff006d6ce13d8a60563f94da3b44bc2021df9c81

Debt

The UK government has now introduced six main financial support measures:

- the COVID Corporate Financing Facility (CCFF) to provide bridge financing to larger UK incorporated companies provided they meet certain eligibility criteria relating to the nature and extent of their business activities in the UK and their financial health prior to COVID-19;
- the Coronavirus Business Interruption Loan Scheme (CBILS) designed to assist smaller businesses with an annual turnover not exceeding GBP 45 million by providing lenders with a government-backed guarantee at up to 80% of an outstanding facility to encourage and support lending to those smaller businesses that might be experiencing lost or deferred revenues leading to disruptions in their cashflow, subject to eligibility criteria;
- the Coronavirus Large Business Interruption Loan Scheme (CLBILS) designed to support viable businesses with an annual turnover exceeding GBP 45 million (developed most recently to fill a gap that existed between the CCFF and CBILS schemes) by providing lenders with a government-backed guarantee at up to 80% of an outstanding facility (similar to the CBILS but, unlike the CBILS, including interest and fees) subject to a lender portfolio cap and again subject to eligibility criteria;
- the Future Fund scheme designed to assist innovative start-up companies who find themselves in difficulty as a result of COVID-19, provided that they are unlisted UK registered companies that have raised at least GBP 250,000 from private third party investors in round funding over the previous 5 years and have a substantive economic presence in the UK. Funds will be issued as convertible loans on a matched funding basis i.e., loans will be provided at a value of between GBP 125,000 and GBP 5 million, provided that the loan amount is matched by private third party investors. Detailed terms and conditions apply, particularly around the repayment and conversion to equity profile and the scheme is expected to be available for applicants from May;
- the Bounce Back Loan Scheme designed to assist smaller to medium sized businesses get access to funds quickly by providing lenders with a full (100%) government-backed guarantee of an outstanding term loan facility (including interest) of up to 6 years from an amount of GBP 2,000 up to 25% of a business' turnover capped at GBP 50,000;
- the Sustainable Innovation Fund is designed to support businesses across all parts of the UK who need urgent financial support to keep their cutting-edge projects and ideas alive, including developing new technologies focused on making homes and offices more energy efficient to cut bills, creating ground-breaking medical technologies to treat infections and diseases, or reducing the carbon footprint of public transport in our towns and cities.

Debt

Exclusions

The CCFF scheme is specifically not available to:

- banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority;
- leveraged investment vehicle; or
- companies within groups that are predominantly active in businesses that are subject to financial sector regulation.

The CBILS, CLBILS and BBLS are specifically not available to:

- banks, credit institutions, building societies, insurers, reinsurers;
- public sector bodies;
- grant funded further education establishments; and
- state funded primary and secondary schools.

Process to get support

For the CCFF, liaise with your own bank or another bank that issues commercial paper. If you have existing commercial paper that is eligible for the scheme, banks will assist with issuing it to the CCFF.

More information on the application process (including application forms and a pricing schedule) is available on the Bank of England website (www.bankofengland.co.uk)

For the CBILS, CLBILS, BBLS or the Future Fund companies should visit the website of the British Business Bank (www.british-business-bank.co.uk) and approach one of the listed accredited lenders with their borrowing proposal.

Businesses can apply for support through the Sustainable Innovation Fund by visiting the Innovate UK website.

To read more about this topic, please see this alert: Do the UK Government's measures fit the Bill?

Restructuring & Insolvency

The Corporate Insolvency and Governance Act 2020 (CIGA) was recently passed. It introduces both temporary and permanent reforms to insolvency laws of England & Wales.

Temporary Measures:

1. "Suspension" of Wrongful Trading provisions: Wrongful trading allows administrators or liquidators to bring actions against directors to personally contribute to the assets of a company where directors have allowed a company to continue to trade when the director knew, or ought to have concluded that, there was no reasonable prospect that the company would avoid insolvent liquidation or administration.

   The CIGA requires courts to assume that during the "relevant period" a director is not responsible for any worsening of the financial position of the company or its creditors. The "relevant period" is from 1 March 2020 - 30 September 2020.

   More recently, The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Suspension of Liability for Wrongful Trading and Extension of The Relevant Period) Regulations 2020 was introduced. It revives the suspension for the period 26 November 2020 to 31 April 2021. The "suspension" does not apply to certain types of entities - primarily where companies are party to any "qualifying capital market arrangement" or the company is an "Excluded Entity" (a term used throughout the Act, which includes insurance companies, banks and investment banks).

   The consequences of a director being found to have committed wrongful trading are severe. Directors can be held personally liable for the losses suffered by the company and its creditors and can also be disqualified from acting as a director. Directors do have a defense if they can show they took "every step" with a view to minimizing potential losses to the company's creditors.

2. Statutory demands and winding-up petitions: Statutory demands served between 1 March to 31 December 2020 cannot be used as a basis for issuing a winding-up petition. From 27 April 2020 to 31 March 2021, winding-up for cash flow or balance sheet insolvency will also not be available during this period if the cause of non-payment is because the company cannot pay its debts because of the "financial effect" of COVID-19 on the company's financial position.

3. Pre-pack administrations to connected parties: In October 2020 the Secretary of State published draft regulations imposing additional requirements and conditions on the disposal, sale or hiring out of property by an administrator to a connected person. The regulations are expected to take effect from 30 April 2021. They are designed to improve transparency in the practice of pre-pack sales.

Amongst the requirements proposed to be brought in by the Regulations, an administrator will be unable to dispose of property of a company to a person connected with the company within the first eight weeks of the administration without either the approval of creditors or an independent written opinion from an evaluator. The evaluator providing the opinion must state in their report that they have considered any previous report obtained.

Restructuring & Insolvency

Further, the evaluator must hold sufficient professional indemnity insurance, and the administrator will also need to be satisfied that the evaluator has sufficient knowledge and experience to produce the report. The connected party purchaser will be required to obtain the written opinion. "Connected" takes its meaning from the existing "connected" definition in Section 249 of the Insolvency Act 1986.

Permanent Measures:

1. Moratorium Procedure: A free-standing statutory moratorium will be available to most companies (except "Excluded Entities" a term used in the CIGA, which includes insurance companies, banks and investment banks). Directors will remain in control of the company with the oversight of the Monitor. The Moratorium will run for an initial period of 20 business days and can be extended without creditor or court consent for a further 20 business days. Further extensions are available with the approval of the court/creditors.

   The Moratorium is similar to what is currently available under the English law administration process, but with some important differences. In particular, while the company using the moratorium gets a "payment holiday" from most pre-moratorium debts there are some key exceptions, including the need to meet liabilities in respect of contracts involving financial services. Any moratorium debts and pre-moratorium debts not subject to a payment holiday will benefit from a super priority over all other debts (except fixed charges) if the company enters into an administration or liquidation within 12 weeks following the end of the moratorium.

2. New Restructuring Plan: A new restructuring plan has been introduced based largely on the existing English law scheme of arrangement available under Part 26 of the Companies Act 2006. This new restructuring plan will allow for the a cross-class cram-down (a first in English law). There is also no requirement for a majority in number of creditors to approve the restructuring plan, providing 75% in value of creditors in each class approve the restructuring plan (or the cram-down provisions are invoked).

3. Protection of supplies of goods and services: If a company enters into a qualifying restructuring or insolvency process, the CIGA restricts the rights of a supplier under "any contract for goods or services" from termination or doing "any other thing" in relation to such a contract by reason alone of the company entering into such process.

   Termination rights relating to events arising after the insolvency process begins (e.g., in relation to non-payment for post-insolvency supplies provided) may still be exercised. Supplies are also restricted from exercising a termination right that arose before the relevant insolvency procedure commenced but was not exercised.

   A qualifying process includes the new moratorium procedure, administration, a company voluntary arrangement, administrative receivership, liquidation, or the new restructuring plan (but not a scheme of arrangement).

Equity

The UK Future Fund

The GBP 250 billion bridge funding scheme for startups and R&D companies that was announced at the end of April allows for automatic conversion of the loan and outstanding interest into shares. The Future Fund scheme will issue convertible loans between GBP 125,000 and GBP 5 million, provided that companies are able to secure a matching amount from private investors.

To qualify, companies must: (1) be unlisted, UK registered and incorporated before 31 December 2019, (2) have received at least GBP 250,000 of third party investments in the past five years, (3) have substantive economic presence in the UK (either at least 50% of its employees or its revenues), and (4) if part of a group, be the ultimate parent company.

The term of the loan is 36 months and the interest rate shall be at least 8% per annum. Applications to the Future Fund will remain open until the end of September 2020. For more information see our client alert on the Future Fund and other COVID financing support mechanisms in the UK here: https://www.bakermckenzie.com/-/media/files/insight/publications/2020/04/covid_corporate_financing_facility_8940.pdf

Other Support Measures

It is has been reported that plans have been drawn up under which the UK Government might invest in equity for companies in the transport and airline sectors on a case-by-case basis.

In addition, there are small grant schemes in Wales, Scotland and Northern Ireland aimed at smaller businesses, including retail, hospitality and leisure businesses. There is also a small UK grant scheme aimed at companies which may be able to assist in the response through innovation.

It may also be noted that there are a range of UK government schemes and support measures that UK based companies may be able to use. These include: (1) The Coronavirus Job Retention Scheme (the CJRS) which is available to all UK employers and will reimburse employers for 80 percent of the wages of "furloughed workers" (being workers who are being asked to stop working for the time being but remain employees during this time) up to GBP 2,500 per month, (2) a deferral of VAT payments for three months from 2 March 2020 to 30 June 2020, (3) the possibility of additional time to pay tax to HMRC, (4) a statutory sick pay scheme for UK based businesses that are small or medium sized with fewer than 250 employees as of 28 February 2020, and (5) a business rate holiday for the retail, hospitality and leisure sector.

Taxation

Corporate income tax

The period in which trading losses can be carried back to set against profits has been extended from 12 months to 3 years, for up to GBP 2M of losses incurred in each of the 2020-21 and 2021-22 tax years.

Social security / Employment / Wage taxes / Personal Income Tax

Income tax payments due under the self-assessment system on 31 July 2020 were automatically deferred until 31 January 2021. No penalties/interest for late payment will be charged during the deferral period.

VAT

Deferral of VAT payments

A VAT payments deferral scheme was introduced for VAT payments due between 20 March 2020 and 30 June 2020. The new deadline for these VAT payments is 31 March 2021. VAT payments due after 1 July 2020 are subject to normal deadlines.

In September 2020 it was announced that the deferred payment can now be made in smaller amounts throughout the year up to the end of March 2022, interest free. To take advantage of this scheme taxpayers will be required to "opt-in".

The deferral was applied automatically to all UK businesses and no interest will accrue on any amount deferred.

The deferral relates only to the VAT payment deadline and not the filing deadline. VAT returns still needed to be filed on time.

The deferral did not apply to VAT payments made through HMRC's mini-one stop shop (MOSS) system.

HMRC guidance can be found here.

Postponement of deadline for reporting under making tax digital for VAT

The deadline for businesses reporting under making tax digital for VAT to meet the requirement to have digital links within recordkeeping for transferring information to their online VAT filings has been delayed for a year, now applying to VAT return periods starting on or after 1 April 2021.

Zero VAT rate for certain PPE

The UK has introduced a temporary measure to zero-rate supplies of PPE (as defined by Public Health England's coronavirus (COVID-19) PPE guidance) with effect from 1 May to 31 October 2020. More information can be found on HMRC's website here.

Taxation

Import duty and VAT relief on medical supplies, equipment and protective garments

The UK has introduced a temporary relief from import duty and import VAT for protective equipment, relevant medical devices or equipment imported into the UK from 30 January 2020 until 31 October 2020 by or on behalf of state organisations and approved charitable or philanthropic organisations. The relief can be claimed on goods imported for distribution free of charge or made available free of charge to those affected by, at risk from, or involved in combating COVID-19.

The scope of the goods which qualify for the relief are those of protective equipment, other relevant medical devices or equipment for the COVID-19 outbreak set out in the COVID-19 Commodity Code list.

If you are not an eligible organisation importing the items for your own use but are importing the item on behalf of an eligible organisation, it is important to hold clear evidence that these items are being imported for that reason. is the case. This evidence must also allow HMRC to trace the goods from their initial import through to their ultimate end use by one of these organisations. Failure to provide this evidence, may result in customs duty and import VAT being due.

If the goods were imported on or after 30 January 2020 but relief has not yet been claimed, it may be possible to reclaim the payment of import duties (subject to certain conditions being met).

More information can be found on HMRC's website here.

Reduced VAT rate for hospitality services

Certain supplies relating to, hospitality (i.e. supplies of food and non-alcoholic beverages for consumption on your premises and supplies of hot takeaway food and hot takeaway non-alcoholic drinks), hotel and holiday accommodation and admissions to certain attractions will temporarily be subject to the 5% reduced VAT rate. The temporary reduced rate was initially applied to supplies made between 15 July 2020 and 12 January 2021 but it has now been announced that this measure will remain in place until 30 September 2021. An interim reduced rate of 12.5% will then apply until 31 March 2022, with the standard rate of VAT applying from 1 April 2022. More information can be found on HMRC's website here

VAT on electronic publications

HMRC announced that the inclusion of e-books and other electronic publications in the zero-rate for printed matter was effective from 1 May 2020 rather than 1 December 2020, due to the increased need for access to such materials with schools shut and people working from home. HMRC's business brief with regards to the change in the VAT treatment can be found here.

Taxation

Excise / Import duties

See VAT section for details of import duty relief on medical supplies and protective equipment.

Other taxes

General Tax Support

- All businesses and self-employed individuals in financial distress with outstanding tax liabilities may be eligible to receive support through HMRC's Time To Pay Service: Call 0800 0159 559
- Agreed on a case-by-case basis, tailored to individual circumstances and liabilities.

Business Rates Holidays

- Automatic business rates holiday for retail, hospitality and leisure businesses in England will apply for the 2020/2021 tax year (with a similar holiday to be introduced for children's nurseries).
- Properties benefitting from the relief will be occupied hereditaments that are wholly or mainly being used:
  - as shops, restaurants, cafes, drinking establishments, cinemas and live music venues;
  - for assembly and leisure; or
  - as hotels, guest & boarding premises and self-catering accommodation.

Cash Grants to Businesses

- Available to businesses in retail, hospitality and leisure sectors:
  - Up to GBP 25,000 for businesses with a rateable value of GBP 15,001-GBP 51,000; or
  - Up to GBP 10,000 for businesses with a lower rateable value than above.

One-off grant available to small businesses that pay little/no business rates due to an applicable relief (small business rate relief, rural rate relief or tapered relief) to help meet ongoing business cost.

Taxation

Comments

N/A

To read more about this topic, please see this alert:

New HMRC guidance on the impact of COVID-19 on employee share schemes

COVID-19 furlough scheme extended until 30 September 2021

European Union

State Aid

EU law generally prohibits EU Member States from providing State aid (unless exempted or approved by the EU Commission)

13 March 2020: EU Commission presents communication setting out already available routes to approval for aid to help mitigate socio-economic impact of COVID-19 e.g., ability to compensate specific companies or sectors for damages directly caused by COVID-19

19 March 2020: EU Commission adopts Temporary Framework to fast-track COVID-19 State aid approval (until end 2020)

3 April 2020: EU Commission adopts First Amendment to the Temporary Framework expanding fast-track COVID-19 State aid approval for a further 5 additional categories of measures

8 May 2020: EU Commission adopts Second Amendment to the Temporary Framework expanding fast-track COVID-19 State aid approval to recapitalisation (equity and hybrid capital) and subordinated debt instruments.

29 June 2020: EU Commission adopts Third Amendment to the Temporary Framework opening up liquidity support measures for micro and small enterprises which were in financial difficulty on 31 December 2019 (except if subject to collective insolvency procedure or still benefitting from rescue or restructuring aid) as well as clarifying that a number of conditions for recapitalization do not apply in case there is a private co-investment of at least 30%.

2 July 2020: EU Commission makes first, albeit limited, amendments to substantive State aid rules to mitigate the impact of the pandemic.

13 October 2020: EU Commission adopts Fourth Amendment to the Temporary Framework extending the application of the Temporary Framework until 30 June 2021 for all measures, except recapitalisation measures which are extended until 30 September 2021. In addition, the Temporary Framework now also applies to aid schemes which grant support for part of fixed costs not covered by revenues.

14 December 2020: The European Commission found the creation of a €25 billion Pan-European Guarantee Fund managed by the European Investment Bank (EIB) to support companies affected by the coronavirus outbreak to be in line with EU State aid rules. The Fund is expected to mobilise up to €200 billion of additional financing to support mainly small and medium-size enterprises (SMEs) affected by the outbreak in the 21 participating Member States (all EU MS except for Czech Republic, Estonia, Hungary, Latvia, Roumania and Slovenia). Details of available guarantees per country are not yet public.

28 January 2021: EU Commission adopts Fifth Amendment to the Temporary Framework extending the application of the Temporary Framework until 31 December 2021. In addition, the Commission has also decided to expand the scope of the Temporary Framework by increasing the ceilings set out in it and by allowing the conversion of certain repayable instruments into direct grants until the end of next year.

European Union

State Aid

Some COVID-19 support measures will not qualify as prohibited State aid; for instance:

- direct consumer compensation company investment, deferring debt repayment, or shareholder guarantee, at market terms (= acceptable to a private investor in comparable situation)measures generally applicable to all companies e.g., tax relief or relief from social contributions (≠ sectoral relief) COVID-19 Amended Temporary Framework fast track approval available for twelve types of aid under certain conditions:
- direct grants, selective tax advantages and advance payments: schemes for support of up to EUR 1,800,000 per company for urgent liquidity needs, including in the form of equity or quasi-equity;
- State guarantees for loans taken by companies from banks: Member States can provide State guarantees to ensure banks keep providing loans to customers, including for subordinated loans;
- subsidised public loans to companies: Member States can grant loans with favourable interest rates to companies, now also available for subordinated loans;
- safeguards for banks that channel State aid to the economy;
- support for COVID-19 related (i) R&D, (ii) testing and upscaling of testing facilities, and (iii) production facilities for medicines, vaccines, medical devices, etc.;
- sectoral or regional tax or social security breaks or wage compensation to avoid layoffs;
- equity and hybrid capital investments as a matter of last resort and subject to stringent conditions regarding size, remuneration, exit and governance; support in the form of direct grants, tax advantages, payment facilities, guarantees or subsidised interest rate loans to cover up to 70% (90% in case of micro or small companies) of fixed costs which are not covered by revenues over eligible period, up to EUR 10 million per company.

All Member States and the UK had a total of more than 250 support schemes approved under the Framework so far.

To read more about this topic, please see this alert:

Government Support in the EU: more options for Member States' support for businesses under the amended Temporary Framework for State Aid

State aid update

European Union

Foreign Investment Restrictions

On 25 March 2020 the European Commission issued new guidelines to ensure an EU-wide approach to foreign investment screening in a time of public health crisis and related economic vulnerability. The aim is to preserve EU companies and critical assets, notably in areas such as health, medical research, biotechnology and infrastructures that are essential for security and public order, without undermining the EU's general openness to foreign investment. The Commission calls upon Member States that already have an existing screening mechanism in place to make full use of tools available to them under EU and national law to prevent capital flows from non-EU countries that could undermine Europe's security or public order. The Commission also calls on the remaining Member States to set up a fully-fledged screening mechanism and in the meantime to consider all options, in compliance with EU law and international obligations, to address potential cases where the acquisition or control by a foreign investor of a particular business, infrastructure or technology would create a risk to security or public order in the EU.

Debt

On 21 July the Council agreed the European Recovery Plan "ERP" and the next EU budget, which have a combined size of EUR 1.074 trillion. EUR 750 billion will be provided under the "Next Generation EU" and are intended to be invested in the near future. The ERP will accelerate the European Green Deal, which will be at the core of the EU's growth strategy alongside investments in digital technologies. The ERP and the EU's next budget still require the European Parliament's consent. Some adjustments to the ERP and the EU budget still remain possible but it is unlikely that the overall structure and size of the package will change significantly, if at all.

The European Central Bank has recently adapted its corporate sector purchase program (CSPP) and initiated its Pandemic Emergency Purchase Program (PEPP) in response to COVID-19. The CSPP was originally created in mid-2016 as part of an asset purchase programme that also includes a programme re purchase of ABSs, covered bonds and public sector assets in the secondary markets. The CSPP was aimed at achieving inflation rates below, but close to, 2% over the medium term. The primary amendment to the CSPP pursuant to the PEPP is in relation to the range of eligible assets under the CSPP, which has been extended to include non-financial commercial paper, making all commercial papers of sufficient credit quality (as described below) eligible for purchases under both the CSPP and the PEPP. Purchases by the ECB under the PEPP are separate from, and in addition to, purchases carried out under the CSPP, with an overall additional envelope under the PEPP of EUR 750 billion until the end of 2020 (which may be extended).

The main eligibility criteria for corporates are:

- Various issuer-related requirements, including that the issuer must be a corporate incorporated in a Member State whose currency is the euro (although there is no obvious reason that there could not be credit support, e.g., guarantees from non-eurozone affiliates);

European Union

Debt

- The debt securities must:
- have a minimum (remaining) maturity of 70 days (for purchase under the PEPP) or 6 months (for purchase under the CSPP) and a maximum remaining maturity of 30 years at the time of their purchase by the relevant Eurosystem central bank to be eligible for purchase under the PEPP;
- must be denominated in euro;
- be rated at least Credit Quality Step 3 (maximum probability of default over a one-year horizon of 0.40%) by one of the four accepted CRAs (S&P, Moody's, Fitch and DBRS), but with various recently announced grandfathering provisions have a fixed and unconditional principal amount, and a coupon that may not result in a negative cash flow;
- be unsubordinated; be issues using global notes that are of the appropriate form e.g., new global notes (NGNs) or issued under the new safekeeping structure for international debt instruments, and be admitted to trading on a regulated or accepted non-regulated market.

To read more about this topic, please see this alert: EU leaders reach agreement on EUR 750 billion (US 858 billion) recovery plan

Equity

No (semi-) equity measures have been announced.

To read more about this topic, please see this alert: European Commission seeks to address debt-equity bias

Americas

Navigate to chapters and back by clicking the flag or regional map

Argentina

Foreign Investment Restrictions

COVID-19 has had no impact on Argentina's foreign investment review regime.

Debt

Extension of maturities

Maturities of loans with financial entities were deferred until April 1, 2020. Additionally, financial entities shall automatically refinance unpaid balances of loans with installments due from April 1, 2020, to September 30, 2020. Unpaid balances in such period and up to December 31, 2020, can only accrue compensatory interest (no other surcharge is allowed).

Furthermore, the Central Bank introduced certain flexibility in the classification of debtors in the financial system.

Special credit line

Argentine Central Bank established a special credit line for micro, small and medium companies (PYMES) at an annual interest rate of 24% (please consider that inflation rate for this year is at least around 40% according to market estimations). The loans are aimed at financing working capital (payment of salaries, due checks, among others).

Under this line of credit at 24%, loans for ARS223,000 million have been approved, among a total of 136,000 companies.

The Central Bank also promoted a new line, called PYME Plus, so that a group of certain companies that do not have a credit rating have access to credit on advantageous terms. Banks will not be able to deny this line, to those companies who previously access the FOGAR guarantee.

A line of credit was also established for export financing, through which micro, small and medium-sized companies may apply for a loan in US dollars to internationalize and repay it in a maximum of 6 months. The maximum amount is up to USD 300,000 for frequent exporters and up to USD 200,000 for infrequent and first-time exporters.

In addition, a new line of credit for a total of $500.000.000 (argentine pesos five hundred millions) was stablished for PYMES and cooperatives that are licensees of ITC services, with a subsidized rate of 12% and guarantees from the FOGAR guarantee. This new line purpose is the financing of investment projects and working capital to operate infrastructure networks carried out by PYMESs and cooperatives that provide fixed broadband Internet access services.

Debt

Lending Capacity

To increase lending capacity, the Central Bank required financial entities to release from their portfolio a portion of treasury bills and allowed financial entities to reduce their mandatory fractional reserves. Additionally, financial entities couldn't distribute dividends until December 31, 2020.

Inflation

To contain inflation, the Central Bank established that financial entities shall offer to individuals long term deposits at a rate of 70% the rate of the monetary policy.

Specific Trust Fund

Argentine Government issued Decree 326/2020 ("Decree") establishing the Specific Trust Fund ("Fund") aimed at providing guarantees to ease the access to loans for working capital for PYMES companies registered with the MiPyMES Companies' Registry set forth in Law No. 24,467. The Fund shall be set up within the Argentine Guarantees Fund (FoGAr).

FoGAr is a fund created by fostering Law No. 25,300 for Micro, Small and Medium Enterprises whose purpose is to improve the ability of persons that engage in economic and/or productive activities within the country to access loans. The Decree authorized a budget adjustment of ARS 30,000,000,000 to allocate such amount to the creation of the Fund within the FoGAr.

Thus, MiPyMES may take loans 100% guaranteed by the Fund without the need of offering counter guarantees.

FoGAr provided guarantees for financial institutions to grant new loans for ARS 92,046 million.

Emergency Aid Program for Employment and Production

The Emergency Aid Program for Employment and Production ("Program") for employers and employees affected by the health emergency offers these benefits, as per its latest modifications on October 27, 2020, which extended the Program up to December 31, 2020:

i. deferred payment date or discount of employer's social security contributions of up to 95% for salaries, in activities classified as "critical", during December, 2020;

ii. 50% of remunerative allowance to be paid by the Government in addition to regular salary for private-sector employees; and

iii. loans with zero interest rate for self-employed individuals; and

iv. higher unemployment subsidies.

Debt

To access benefits i. through iii., employers must meet any of these requirements:

- show evidence that their economic activity has been critically affected in the geographic area where it is deployed;
- have a relevant number of employees diagnosed with COVID 19, under mandatory isolation, released from work for belonging to a risk group or for relative-caring obligations in connection with COVID 19; or
- show evidence that their sales were invoicing was substantially reduced after 12 20 March 2020.
- Regarding the Supplemental Salary, to be paid by Government to employees of employers who access the benefit, those who applied in the past must evidence a downturn in their March-April 2020 invoicing vis-à-vis the same period in 2019. For employers which did not have any invoicing for said period, the November-December 2019 gap will be considered. As of December, 2020, companies must evidence: (i) a nominal year-on-year variation of negative turnover, equal to 0 or positive of up to 35%, regardless of the number of employees, (ii) that the net salary will be equivalent to 83% of the Gross Remuneration accrued in the month of November 2020 as reported in the sworn statement of Contributions for social security purposes for such period.

The Federal Tax Authority ("AFIP") has allowed access to a website with the updated list of activities eligible to apply for the Program's benefits.

Insurance and financial services companies are excluded from the Program. While employers providing activities considered "essential" were also originally excluded from these benefits, as of 7 April 2020, these companies may also apply for the benefits provided they can demonstrate a "significant negative impact" on their activities or services. An Evaluation and Monitoring Committee of the Program is in charge of issuing recommendations as to the granting of benefits under the Program. The final decision lies with the Chief of Staff, who, relying on the recommendations of the Committee, must decide on whether to grant any benefits and the extent.

Zero Rate Financing

The Central Bank regulated the granting of a zero percent interest rate financing in pesos to all requesting beneficiaries by local financial institutions. The list of beneficiaries will be designated by the tax authority but it is aimed to self-employed individuals.

The maximum amount is ARS 150,000.

Debt

The financing must be credited within 2 business days as from the filing of the corresponding application. The financing will be credited in the credit card issued by the financial entity in three equal and consecutive monthly installments. The financing will have a grace period of 6 months from the first accreditation. From the following month, it will be repaid in at least 12 equal and consecutive monthly installments. The beneficiaries receiving this financing will not be able, until total repayment, to access the exchange market to purchase foreign currency for buildup of external assets and to purchase securities in pesos for their settlement in foreign currency. Suspension of the initiation of certain tax execution proceedings and the filing of precautionary measures.

The Federal Tax Authority issued Resolution 4936/2021 establishing, until August 31st, 2021: (i) the suspension of the initiation of tax execution proceedings and the filing of precautionary measures against micro, small and medium companies registered with the "MiPyMES Companies' Registry" and against subjects developing critically affected economic activities, and (ii) the suspension of funds seizure and/or securities of any nature, deposited in financial entities or on accounts receivable, as well as the judicial intervention of cash, in the case of the remaining taxpayers.

This provisions do not prevent the exercise of the Tax Authority's powers in cases of serious damage to the Treasury's interest or imminent statute of limitations.

Refund regime for vulnerable sectors

The Federal Tax Authority issued Resolutions 4676/2020 and 4895/2020 establishing a refund regime, until June 31, 2021, for the reimbursement of 15% of the total purchase price of personal property made in retail and/or wholesale stores, through the use of debit cards, associated to accounts linked to retirement, pension and/or allowance benefits The refund will be up to $700 (seven hundred Argentine pesos) or $1400 (one thousand four hundred Argentine pesos) in certain cases.

Easy tax payment regime

As an exception and until September 30, 2021, inclusive, income tax and personal property tax obligations of taxpayers and/or responsible parties may be regularized in up to THREE (3) installments, with a payment on account of twenty-five percent (25%) and at the financing rate set forth in said regulation, provided that they are included in Categories A, B, C or D of the "Risk Profile System" Supportive and extraordinary contribution to help mitigate the effects of the pandemic

Argentine Law No. 27,605 (the "Law") created, on an emergency basis and for one time only, an extraordinary and mandatory contribution, applicable to: (i) individuals and undivided estates residing in the country for all their assets in the country and abroad and to (ii) individuals and undivided estates residing abroad for all their assets in the country, whose assets as of 12/18/2020, exceed $ 200,000,000 (two hundred million argentine pesos).

Argentina

Debt

The rate to be applied will be between 2% and 3.5% in the case of assets in the country, and for assets abroad, the rate will be between 3% and 5.25%, depending on the taxable assets.

Funds collected as of May 27, 2021, are already being used to address the health and economic emergencies posed by the COVID-19 pandemic, and are being allocated in accordance with the Law.

Equity

No (semi-) equity measures have been announced.

Restructuring & Insolvency

No new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

The only governmental assistance provided for distressed business is a moratorium for tax and social security debt.

Taxation

Corporate income tax

No specific measures have been adopted.

Social security / Employment / Wage taxes / Personal Income Tax

Employees mobilized because they perform essential business activities, and are required to work beyond standard hours for these purposes, will have a 95% reduction of the social security rate as provided in section 19 of Law No. 27,541 of the Argentine Integrated Social Security System.

For a period of 90 days, employers conducting health-related activities are subject to a reduction of 95% of the rate destined to the Argentine Integrated Social Security System.

Argentina

Taxation

In cases of dependent employment, the term to inform deductions and concurrent employment (if applicable) and to settle the Income Tax, for fiscal year 2019, was extended until 31 July.

An Emergency Family Income was created, which consists in the payment of ARS 10,000 to a category of taxpayers called "Monotributistas (A/B)", unemployed people, employees of the informal economy and domestic workers.

The National Executive Power launched a "Program of Emergency Assistance to Work and Production" by which the applicants may obtain benefits such as the deferment or reduction of up to 95% of employer contributions to the Integrated Social Security System, remunerative salary allowances to be paid by the National Social Security Administration for private-sector employees, assistance for the Health Emergency, unemployment cash allowance for employees who are not properly or not registered, deferment of deadlines for payment of employer contributions to the Integrated Social Security System, among others..

VAT

No specific measures have been adopted.

Excise / Import duties

Certain tariff codes customarily subject to Non Automatic Import Licenses (e.g. disinfectants, cleaning and hygiene articles, chemical products, etc.), are currently subject to Automatic Import Licenses.

Other taxes

Temporary reduction (for a period of 90 days) of the tax rates applicable on the Tax on Debits and Credits on Checking Accounts and other Transactions for establishments and institutions engaged in the provision of health services.

The 0.60% rate has been reduced to 0.25%. In addition, the 1.20% has been reduced to 0.50%.

These benefits were extended for another 90 days on 25 August 2020.

The Federal Tax Authority has extended (until 30 September 2020) the facilitating payments on tax, social security and customs debts set forth by General Resolutions No. 4268/2018 , 4057/2017 and 4166/2017.

Argentina

Taxation

The Federal Tax Authority has extended (between 3 August 2020 and 7 August 2020) the term to file Transfer Pricing documents related to fiscal years closed between 31 December 2018 and 30 November 2019 (including).

On 20 September 2020, the Federal Tax Authority suspended tax enforcement procedures until 31 October 2020.

On 10 September 2020, the Province of Buenos Aires Tax Authority provided that precautionary measures will not be requested in tax foreclosure proceedings, between 1 September 2019 and until 31 December 2020.

In addition, the City of Buenos Aires Tax Authority will refrain from requesting judicially precautionary measures and/or the enforcement of measures regarding taxes and/or fees in the tax foreclosure procedures until 30 November 2020.

Comments

- The Federal Government has extended the Mandatory Lockdown Period until 11 October 2020.
- The Federal Tax Authority has declared the suspension of procedural legal terms between 18 March and 11 October 2020.
- The City of Buenos Aires Tax Authority has declared a suspension of procedural legal terms between 16 March and 14 August 2020.
- The Province of Buenos Aires Tax Authority has declared the suspension of procedural legal terms until 11 October 2020.
- In addition, the payment of certain taxes and related filings have been postponed by local jurisdictions.
- On 29 July 2020, the Federal Tax Court decided to lift the extraordinary suspension terms and resume the procedural terms with respect to the electronic files, as of 10 August 2020.
- On 26 August 2020, Law No. 27562 was published in the Official Gazette, by which the provisions of the Payment Facilities Regime 2020 regarding federal taxes and social security obligations are expanded and modified. The benefits include the cancellation of debts with payment facilities plans of up to 120 installments; the write-off of interests, fines and other penalties for tax and social security obligations; an exemption from the tax component up to ARS 17,500; special deductions; amortization benefits, among others..

To read more about this topic, please see this alert: Argentina COVID related legal news

Brazil

Foreign Investment Restrictions

There has been no change to foreign investment rules.

Debt

The Brazilian Development Bank (BNDES) has declared a standstill period in relation to loan agreements entered directly with BNDES and loan agreements entered with private banks using funds from BNDES. This standstill period applies to principal and interest amounts and is valid for 6 months. These amounts will be capitalized and their final maturity date will not change. Further, in relation to the direct loans entered with BNDES, other requirements for the standstill are that the companies may not distribute dividends in excess of the minimum legal requirement of 25% of the net profit.

New loans are being made available in the amounts of R$ 5 billion to companies with annual revenue of up to R$ 300 million (considered small and medium sized companies). These loans will have a grace period of 24 months and term of 5 years.

For the health industry, BNDES has made available a credit line of R$ 2 billion for companies that produce or may want to change its production line to build health equipment, including monitors, ventilators, hospital beds and masks. The loan limit per company is R$ 150 million, with a grace period of 24 months and a maturity of 5 years.

On 27 March, the Brazilian Central Bank announced an emergency line of credit of R$ 40 billion, to assist small and medium size companies with annual invoicing ranging from R$ 360,000 to R$ 10,000,000. The purpose of this measure is to pay the salaries of the employees of these companies for a period of two months and to reduce the number of terminations, as well as mitigate potential salary reductions during the pandemic.

- the payment will be credited directly in the employees bank account through payroll, up to the limit off to monthly national salaries, currently corresponding to R$ 2,090.
- companies will have to complement the employees' pay in case the monthly salary exceeds this limit.

Debt

- in return for the credit granted, companies will not be able to terminate their employees during the 2 months of public financing.

Possibility for the company's to offset the Company's Social Security Contribution (not yet matured) with the employee's salary paid during the first 15 days of sick leave (due to COVID-19). A limit of USD 1,200.00 approx. applies (BRL 6,101.06).

- the payment term will be 30 months, with a grace period of 6 months and an interest rate of 3.75% per year.

This incentive and its start date still is subject to an executive order being issued by the federal government for the opening of this line of credit and the creation of a BNDES-operated fund, supervised by the Central Bank together with resources from the National Treasury. The government is also studying other lines of credit for companies.

Restructuring & Insolvency

Issued Recommendations

The Brazilian National Council of Justice issued Recommendation no. 63, which is a list of some measures to be taken in judicial reorganization law suits to guide the judges and the state courts on how to deal with some specific matters related to COVID-19, namely:

- Extrajudicial reorganization proceeding - judges grant priority to decide issues related to the withdrawal of amounts deposited in the court records on behalf of creditors or companies under extrajudicial reorganization;
- Judicial reorganization proceeding - judges: (i) grant priority to decide issues related to the withdrawal of amounts deposited in the court records on behalf of creditors or companies under judicial reorganization; (ii) suspend creditors' meetings but suggests it occurs by electronic means; (iii) extend the stay period (e.g., extend the suspension to file new law suits against the debtor or to continue pending law suits); (iv) authorize the debtor to present an amendment to approved plans (some requirements apply for such amendment); and (v) carefully review requests of converting judicial reorganization into bankruptcy due to the breach of obligations provided in an approved plan.; and
- Bankruptcy - judges grant priority to decide issues related to the withdrawal of amounts deposited in the court records on behalf of creditors or bankruptcy companies.

These recommendations are not mandatory.

Restructuring & Insolvency

Proposed legislative changes

There is a Bill of Law ("PL no. 1,397/2020") that suggests the following changes:

Extrajudicial reorganization proceeding - (i) three-fifths quorum required by the law to have the plan in the extrajudicial reorganization binding to all the creditors of that specific class shall be reduced to one-half plus one of the credits subject to such plan; (ii) the obligations set forth in the extrajudicial reorganization plan already approved will not be due from the debtor for a period of 120 days; (iii) fix a stay period (e.g., period of time during which it is not possible to file new lawsuits against the debtor or to continue pending lawsuits); (iv) the possibility of requesting extrajudicial reorganization even if the debtor has already requested it or judicial reorganization in the past five years (which, nowadays, is prohibited); (v) the possibility of filing an amendment to the plan that has already been approved and ratified by the court; (vi) the inclusion of new creditors that were not subject to the extrajudicial reorganization by the time it was filed (and, thus, were not encompassed by the previous plan).

Judicial reorganization proceeding - (i) refrain creditors from enforcing their rights in relation to co-obligors, guarantors and third-party obligors; (ii) refrain the judge from declaring the debtor's bankruptcy for non-compliance with the judicial reorganization plan; (iii) the obligations set forth in the judicial reorganization plans already approved will not be due from the debtor for a period of 120 days; (iv) creditors cannot request the debtor's bankruptcy based on non-compliance of the plan during this moratorium period; (v) the possibility of requesting judicial reorganization even if the debtor has already requested it or extrajudicial reorganization in the past five years (which, nowadays, is prohibited); (vi) the possibility of filing an amendment to the plan that has already been approved and ratified by the court; (vii) inclusion of new creditors that were not subject to the judicial reorganization by the time it was filed (and, thus, were not encompassed by the previous plan)

Bankruptcy - changing the minimum amount to request the bankruptcy of a debtor: instead of the criteria of 40 minimum wages (which is around BRL 41,560 nowadays), it would change to BRL 100,000 .

Preventive Negotiation - create this procedure. A debtor who proves a reduction equal to or greater than 30% of their billing, compared to the average for the last quarter, may file a voluntary law called "preventive negotiation." By the time of the filing of such request, the judge must analyze whether the party is an economic agent and whether there was a 30% reduction in revenues — criteria for granting the request. If so, the judge will determine the suspension of the lawsuits against the debtor for 60 days and he/she may appoint a negotiator, whose scope of work and payment will be made by the debtor. The negotiator can be any person, individual or legal entity, with recognized professional capacity.

Brazil

Restructuring & Insolvency	After 60 days, the debtor, or the appointed negotiator, must present a report on the activities carried out, which will determine the closing of the procedure. During the preventive negotiation period, the debtor may enter, regardless of judicial authorization, into agreements with any financing agent, including with its creditors, shareholders or affiliates, to support restructuring and asset preservation costs. If the debtor requests an extension of the preventive negotiation term and the requirements for granting judicial reorganization are met, the request will be immediately converted into judicial reorganization and the period of 60 days of suspension will be deducted from the stay period provided for in the Brazilian Law of Judicial Reorganization and Bankruptcy.
Equity	No (semi-) equity measures have been announced.
Taxation	**Corporate income tax** Extension of 90 days to the deadline for payment of Corporate Taxes for companies under the SIMPLES regime. Potential adoption of judicial measures to extend the deadline for payment of Corporate Taxes to taxpayers under the regular tax regime. Decisions have been issued by the courts in this regard (Judicial measure also viable to extend the deadlines applicable to State and Municipal taxes) **Social security / Employment / Wage taxes / Personal Income Tax** Reduction of 50% on the tax rates applicable to contributions due to System "S" from 1 April to 30 June 2020 (except for the SEBRAE contributions). Suspension of the obligation to collected the FGTS in relation to the months of March, April and May, 2020.

Brazil

Taxation

Postponing of the deadline for payment of Company's Social Security Contribution and Federal Welfare Taxes (PIS and COFINS) originally due in April, May and June 2020, to August, October and November 2020, respectively.

Possibility for the company's to offset the Company's Social Security Contribution (not yet matured) with the employee's salary paid during the first 15 days of sick leave (due to COVID-19). A limit of USD 1,200.00 approx. applies (BRL 6,101.06).

Suspension of the obligation to collect the FGTS in relation to the months of April, May, June and July, 2021. Also, the total amount regarding this period can be paid in up to 4 installments.

VAT

Certain States have issued regulations to suspend or extend the deadlines for the compliance of certain tax ancillary obligations, as well as payments of installments issued in connection of past tax amnesty programs.

Certain States have issued regulations to postpone the deadline for payment of State Value-Added Tax on Sales and Services (ICMS) for the companies under the SIMPLES regime.

Excise / Import duties

- Application until 30 September 2020, of the zero rate to the Import Duty on the importation of certain products required to combat COVID-19.
- Expedited customs clearance on the importation of products related to the combat of COVID-19.
- IPI rate reduced to 0% as related to the importation and sale of products related to combat of COVID-19.
- PIS/COFINS and PIS/COFINS-Import rates levied, respectively, on local sales and import of zinc sulfate classified under codes 300390.99 and 3004.90.99 were temporarily reduced to zero up to 30 September 2020.
- Up to 30 September 2020 reduction to zero of the Import Tax levied on the import of certain medications and medical protection instruments by means of a postal order or an international air purchase in the amount of up to USD 10,000 or the equivalent in another currency, sent to individuals or legal entities in Brazil.

Taxation

- Provided that certain legal requirements are met, in the event of an emergency, a state of public calamity or a pandemic declared by the World Health Organization, recognized by the competent authorities, the Certificate of Origin of imported goods may be presented within up to 60 (sixty) days, counted from the date of registration of the Import Declaration (DI).
- The acts that granted drawback regimes with suspension of payment of taxes for one year, which will end in 2020, may be extended for one more year (Provisional Measure no. 960)
- The legal entities which are allowed to operate in the Exportation Processing Zone (ZPE) are exempted - in the calendar-year of 2020 - from earning and maintaining the percentage of gross revenues arising out of exportation.

Other taxes

Certain States are providing a suspension or extension in the deadlines to comply with certain tax ancillary obligations.

Reduction to 0% of the tax rate of the Tax on Financial Transactions (IOF-Credit) levied on credit transactions entered into between April 3, 2020 and November 26, 2020 and December 15, 2020 and December 31, 2020.

The Brazilian IRS postponed the deadline for the filing of the following tax ancillary obligation: - *DCTF* (federal taxes declaration) - from the 15 business day of April, May and June to the 15 business day of July; - *EFD - Contribuições* (social contributions declaration), from the 10 business day of April, May and June to the 10 business day of July; - DIRPF (Individual's Income Tax Returns); Final Departure Tax Return - from April 30, 2020 to June 30, 2020. This extension also applies to the payment of the income tax (and other taxes) calculated by the individuals upon filing of these tax returns and ECD (Digital Accounting Declaration) related to calendar-year 2019, from May 29, 2020 to July 31, 2020.

Certain Municipalities have issued regulations to postpone the deadline for payment of Services Tax (ISS) for companies under the SIMPLES regime.

Postponement from March 31 to August 31, 2020 of the deadline for the payment of taxes levied on communication services (Operating Inspection Fee (TFF); Contribution to the Development of the National Film Industry (CONDECINE); and the Contribution to the Promotion of Public Radio Broadcasting (CFRP)). The taxpayers may opt to pay the taxes (i) in a single installment on August 31, 2020 or (ii) in up to five successive monthly installments, in which case the first installment will mature on August 31, 2020. An interest rate named SELIC will be charged in this case.

Brazil

Taxation

Comments

- Establishment of an extraordinary tax settlement program during the COVID-19 crisis. The taxpayers may opt for the tax settlement up to June 30, 2021.
- Extension for 90 days of the validity of Federal Tax Clearance Certificates.
- Suspended until 31 August 2020 certain collection acts by the Brazilian IRS Attorney Office.
- Suspension for 90 days in the deadlines and acts related to the imposition of joint tax liability on directors and administrators.
- Suspension of deadlines related to Federal Tax Administrative cases until 30 June 2020.
- Suspension of deadlines related to Judicial cases, except for those that are being proceed electronically, until 31 May 2020 (certain exceptions apply).
- Postponement of payment of installments of amnesty programs of the Brazilian IRS and PGFN, except for those taxpayers subject to the SIMPLES regime. Payment of installments matured on May 2020 have been postponed to August 2020. Of June 2020 to October 2020 and of July 2020 to December 2020. Interest will apply.
- The Office of the Attorney-General of the National Treasury (PGFN) has enacted Ordinances setting forth special tax settlements for outstanding federal debts. The requirements and period for enrolling depends on each program.
- Postponement from March 31 to August 31, 2020 of the deadline for the payment of taxes levied on communication services (Operating Inspection Fee (TFF); Contribution to the Development of the National Film Industry (CONDECINE); and the Contribution to the Promotion of Public Radio Broadcasting (CFRP)). The taxpayers may opt to pay the taxes (i) in a single installment on August 31, 2020 or (ii) in up to five successive monthly installments, in which case the first installment will mature on August 31, 2020. An interest rate named SELIC will be charged in this case.

To read more about this topic, please see this alert:

Possibility to replace judicial deposits performed by companies in labor and tax law suits by other forms of guarantee less burdensome to taxpayers

The tax rate of the Tax on Financial Transactions (IOF) was reduced to zero on credit transactions

Taxpayers given until 31 August 2021 to join the Special ICMS Installment Payment Program in Rio de Janeiro

Foreign Investment Restrictions

Pursuant to a policy announced on 18 April 2020, the Canadian government indicated that it would subject certain foreign investments into Canada to enhanced scrutiny. Specifically, while review thresholds remain unchanged and each investment would continue to be examined on its own merits, the government would scrutinize with particular attention foreign direct investments of any value, controlling or non-controlling, in Canadian businesses that are related to public health or involved in the supply of critical goods and services to Canadians or to the government.

The government would also subject all foreign investments by state-owned investors, regardless of their value, or private investors assessed as being closely tied to or subject to direction from foreign governments, to enhanced scrutiny. This may involve the regulator requesting additional information or extensions of timelines for review as authorized by the Investment Canada Act, to ensure the government can fully assess the investment. This enhanced scrutiny of certain foreign investments will apply until the economy recovers from the effects of the COVID-19 pandemic. In our experience, this policy has been applied in practice.

The temporary period of extended timelines in the national security review process due to COVID-19, which began 31 July 2020, ended on 31 December 2020. All foreign investments continue to be subject to the regular statutory timelines..

To read more about this topic, please see this alert:

National security review process becomes (temporarily) longer

Updated National Security Guidelines - Canada signals focus on sensitive technology, personal information, and critical minerals

Debt

(Note: What follows is a summary of active/ongoing federal government interventions. Certain federal measures have ended, or applications are closed. Provincial and municipal governments are also implementing their own measures.)

Support for Individuals/Communities

Mortgage Support: The federal government has encouraged lenders to help customers on a case-by-case basis, including allowing borrowers to defer up to 6 monthly mortgage payments (interest and principal).

Changes to Employment Insurance Program/Creation of New Benefits Programs:

- Those receiving regular EI benefits will be eligible to receive up to CAD 500/week (or up to CAD 300/week for those receiving extended parental benefits), for up to 50 weeks. On a temporary basis, the federal government will calculate EI benefits based on a minimum regional unemployment rate of 13.1% and will provide a one-time credit of insurable hours to allow more people to qualify.
- The Canada Recovery Benefit will provide up to CAD 500/week for workers who: (i) are unemployed/self-employed for reasons related to COVID or have had their income reduced by at least 50% due to COVID-19; (ii) are ineligible for EI; and (iii) meet other eligibility criteria for the period being applied for. The CRB will be available for up to 38 weeks.
- The Canada Recovery Sickness Benefit will provide CAD 500/week for workers who cannot work for at least 50% of the week because they contracted COVID-19, must self-isolate or have underlying conditions that make them more susceptible to COVID-19. The CRSB will be available for up to 4 weeks.
- The Canada Recovery Caregiving Benefit will provide CAD 500/week for eligible Canadians who cannot work for at least 50% of the week because they must care for specified family members due to school, daycare, and day program/care facility closures or because the family members are not attending school, daycare or other care facilities because they are at high-risk if they contract COVID-19. The CRCB will be available for up to 38 weeks per household.
- The Canada Child Benefit Young Child Supplement will provide temporary support of up to CAD 1,200 to families with children under age 6. To be eligible for the supplement, families must be entitled to receive the Canada Child Benefit, and do not need to apply separately for the supplement. Payments will be made on 28 May 2021; 30 July 2021; and 29 October 2021.

Debt

Support for Indigenous Peoples: In March 2020, the federal government announced that it would provide CAD 305 million to an Indigenous Community Support Fund to address the immediate needs of First Nations (CAD 215 million), Inuit (CAD 45 million), and Métis Nation (CAD 30 million) communities. CAD 15 million would be used to support regional, urban, and off-reserve organizations. On 21 May 2020, the government announced an additional CAD 75 million for Indigenous peoples living in urban centres and off-reserve, for a total Indigenous Community Support Fund of CAD 380 million. On 12 August 2020, the federal government announced that the fund would be increased to CAD 685 million.

Support for People with Disabilities: The federal government will provide CAD 15 million in 2020-2021 to community organizations, to help them improve workplace accessibility and access to jobs, and expand accessible online training opportunities.

Support for Students: The federal government will continue to waive interest on the federal portion of Canada Student Loans and Canada Apprentice Loans.

Support for Businesses/Economy

Federal Work-Sharing Program: The Work-Sharing Program is a federal program that allows employees to receive Employment Insurance (EI) benefits when they agree to work reduced hours for their employer. The expected work reduction must be between 10% and 60% to qualify for the program. A Work-Sharing Agreement must be reached by an eligible employer and eligible employees, and approved by Service Canada, so that earnings are not deducted from an employee's EI benefits. Between 15 March 2020 and 26 September 2021, the federal government has implemented several temporary measures:

- Work-Sharing Agreements can last up to 76 weeks, rather than 38 weeks.
- Employers will be able to enter into a new agreement immediately after their existing Work-Sharing Agreement expires.
- Employers no longer need to submit a comprehensive "Recovery Plan".
- Employers no longer need to provide sales/production figures at the same time.
- Eligibility criteria has been expanded so that the following employees/employers can participate: staff who are essential to recovery, Government Business Enterprises (GBEs), non-for-profit organization employers who have experienced a reduction in revenue or business activity due to COVID-19, and employers who have been in business for only 1 year.

Canada Emergency Wage Subsidy: Eligible employers outside the public sector can claim a Canada Emergency Wage Subsidy (CEWS) of up to 75% of an employee's wages, with the current subsidy wage rate in effect until 5 June 2021.

Debt

Tariff Waivers: The federal government is waiving tariffs on certain medical goods, including personal protective equipment such as face and eye protection, gloves, protective garments, disinfectants/sterilization products, wipes, medical consumables, and certain other products.

Regional Relief and Recovery Fund: The federal government will provide over CAD 1.5 billion to businesses and organizations that are critical to their regions and local economies. Businesses can apply through their local Regional Development Agency.

Support for Black-Led Businesses: The Entrepreneurship Loan Fund will provide loans of between CAD 25,000 and CAD 250,000 to Black business owners and entrepreneurs. This initiative is also part of the Black Entrepreneurship Program. The Loan Fund began accepting applications in May 2021.

Support for Indigenous Businesses and Aboriginal Financial Institutions:

- The federal government will provide up to CAD 306.8 million so that Aboriginal Financial Institutions can offer short-term, interest-free loans and non-repayable contributions to small and medium-sized First Nations, Inuit, and Métis Nation businesses.
- The federal government will provide CAD 117 million in non-repayable financial contributions to help community-owned or collectively-owned Indigenous businesses and microbusinesses with their operating costs.

Business Credit Availability Program (BCAP): Through the BCAP, Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) will provide over CAD 65 billion in direct lending and other types of financial support to businesses whose access to financing would otherwise be restricted. Interested businesses should contact their financial institutions and the financial institutions will work with BDC or EDC to access the available resources, including:

- Loan Guarantee for Small and Medium-Sized Enterprises: The EDC will work with financial institutions to issue new operating credit and cash flow term loans of up to CAD 6.25 million to SME's. The EDC will guarantee 80% of the amount. The loans should only be used for operating expenses. This support is available until June 2021.
- Co-Lending Program for Small and Medium-Sized Enterprises: The BDC will work with financial institutions to co-lend loans to SME's to meet operational cash flow requirements. Eligible businesses may obtain incremental credit amounts of up to CAD 12.5 million. Businesses with revenues of less than CAD 1 million can receive up to CAD 312,500. Businesses with revenues between CAD 1 million and CAD 50 million can receive up to CAD 3.125 million. Businesses with revenues over CAD 50 million can receive up to CAD 12.5 million. 80% of the financed amount will be provided by the BDC, and 20% will be provided by the business' financial institution. These loans will be interest-only for the first 12 months and subject to a commercial interest rate. There will be a 10-year payment period. This support is available until June 2021.

Debt

- BDC Mid-Market Financing Program: Medium-sized enterprises (i.e., those with annual revenues of CAD 100 million to CAD 500 million) whose credit needs exceed what is currently available under the BCAP and other measures may apply for commercial loans between CAD 12.5 million and CAD 60 million. This support is available until June 2021.
- EDC Mid-Market Guarantee and Financing Program: Businesses with revenue between CAD 50 million and CAD 300 million will be eligible to participate in this program. The EDC will work with financial institutions to guarantee 75% of new operating credit and cash-flow loans ranging from CAD 16.75 million to CAD 80 million. These guarantees will be available to exporters, international investors, and businesses that sell products or services within Canada.
- Canada Emergency Business Account: Eligible small businesses and not-for-profit organizations can obtain interest-free loans of up to CAD 40,000 to help cover operating costs. The interest rate will be 0% until 31 December 2022. To qualify, applicants must demonstrate that they paid between CAD 20,000 to CAD 1.5 million in total payroll in 2019. If the loan is repaid by 31 December 2022, 25% will be forgiven. If the loan is not repaid by 31 December 2022, the remaining amount will become a 3-year term loan at 5% interest. On 19 May 2020, the government announced an expansion to the eligibility criteria to cover owner-operated small businesses. To qualify under the expanded criteria, applicants with payroll of CAD 20,000 or less in 2019 would need to have: (i) a business operating account at a participating financial institution; (ii) a Canada Revenue Agency business number; (iii) filed a 2018 or 2019 tax return; and (iv) eligible non-deferrable expenses, including rent, property taxes, utilities, and insurance, between CAD 40,000 and CAD 1.5 million in 2020. On 9 October 2020, the federal government announced that it would be expanding the CEBA to allow businesses to access an additional interest-free loan of up to CAD 20,000, 50% of which will be forgivable if repaid by 31 December 2022 (for a total loan of up to CAD 60,000). Business owners can apply for support until 30 June 2021.
- BDC Oil and Gas Sector Financing: Canadian-based oil and gas producers, oilfield service companies, and midstream providers may be eligible for between CAD 12.5 million and CAD 60 million in financing for operational cash flow and business continuity. The Mid-Market Financing Program and the Oil and Gas Sector Financing Program have been merged to facilitate coordination and processing.

Large Employer Emergency Financing Facility (LEEFF): Large for-profit businesses (other than the financial sector) and certain not-for-profit businesses with annual revenues of CAD 300 million or more may apply for bridge financing. Businesses must be seeking CAD 60 million or more, have significant operations in Canada, and not be involved in active insolvency proceedings. The federal government has announced that eligible businesses must: (i) demonstrate how they intend to preserve employment and maintain investment activities; (ii) commit to respecting collective

Debt

agreements and pensions; (iii) comply with strict limits on dividends, share buy-backs, and executive pay; (iv) not have been convicted of tax evasion; and (v) commit to publishing annual climate-related disclosure reports. The federal government will also assess applicants' employment, tax, and economic activity in Canada, and its international organizational structure and financing arrangements, to determine if the business has engaged in "aggressive tax avoidance".

Highly Affected Sectors Credit Availability Program: Businesses heavily impacted by COVID-19 can apply for access guaranteed, low-interest loans of CAD 25,000 to CAD 1 million to cover operational cash flow needs. The program is available at certain participating financial institutions, for businesses that operate in sectors such as tourism and hospitality, restaurants, and those that primarily rely on in-person services.

Canada Emergency Rent Subsidy: On 9 October 2020, the federal government announced that it would be creating a new program to provide rent and mortgage support to qualifying organizations. The subsidy would be provided directly to tenants, although the government also expects to provide some support to property owners. The subsidy would support qualifying organizations by subsidizing a percentage of their expenses, on a sliding scale, up to 65% of eligible expenses. The federal government will also provide a top-up subsidy of 25% for organizations temporarily shut down by a mandatory public health order. The rent subsidy and top-up will be available until 5 June 2021.

Support for Specific Industries:

Agribusiness/Food Producers:

- The federal government will assist employers with some of the costs associated with the mandatory 14-day isolation period for temporary foreign workers, as well as the costs associated with the 3-day hotel quarantine imposed under the Quarantine Act.
- Farm Credit Canada will lend an additional CAD 5 billion to producers, agribusinesses, and food processors.
- The federal government will create a Canadian Seafood Stabilization Fund to provide CAD 62.5 million in support to the fish and seafood processing sector. The government expects that businesses will use the funds to pay for maintenance and inventory costs, add storage capacity, comply with health and safety measures, support new manufacturing/automated technologies, and adapt products to new requirements and market demands.
- The federal government will work with provincial and territorial governments to increase payments made through the existing AgriStability program, which supports producers who face significant revenue declines. Interim benefit payment percentages for 2020 would increase from 50% to 75%. In addition, the federal government will work with provincial and territorial governments to expand the AgriInsurance program, which provides insurance protection and offers reinsurance to food producers to mitigate against production losses.

Debt

- For Employment Insurance purposes, the federal government will allow self-employed fish harvesters and sharespersons to access benefits on the basis of earnings from previous seasons.

Cultural Organizations and Tourism:

- The federal government will provide funding for the live arts and music sectors, to support the planning and presentation of COVID-19 safe events and provide work opportunities. Non-profit organizations, band councils or municipal administrators can apply to the Building Communities Through Arts and Heritage Fund or the Canada Arts Presentation Fund. Canadian music artists, industry professionals or not-for-profit organizations can apply to the Canada Music Fund. Artistic individuals, organizations, groups or collectives can apply to the Digital Now Fund or the Explore and Create Fund. Individuals and organizations may also be eligible to access support through the Support for Workers in Live Arts and Music Sectors Fund.
- The Canadian Radio-television and Telecommunications Commission (CRTC) will not request payment for Part I license fees by broadcasters for the 2020-21 fiscal year. Instead, the federal government will pay an equivalent amount to the waived fees directly to the CRTC.
- The federal government will make CAD 50 million available through a Short-Term Compensation Fund, to compensate independent production companies for COVID-related losses due to filming interruptions and production shutdowns.

Transportation:

- The federal government will provide CAD 206 million over two years to eligible regional businesses and airports that contribute to regional air transportation. The Regional Air Transportation Initiative will be delivered by Canada's regional development agencies.
- The federal government will provide a top-up of CAD 186 million through the Airports Capital Assistance Program to support safety-related infrastructure projects and equipment purchases.
- The federal government will provide almost CAD 65 million to certain airports to help maintain operations.
- The federal government will provide almost CAD 490 million to support larger airports with investments related to safety, security or connectivity.

Debt

Energy/Infrastructure:

- The federal government will provide up to CAD 750 million to create a new Emissions Reduction Fund to support workers in the oil and gas sector, including CAD 75 million for the offshore sector. The funds will be used to support businesses' investments to reduce greenhouse gas emissions, with a particular focus on methane.
- The federal government will adapt the Investing in Canada Infrastructure Program by creating a "COVID-19 Resilience" stream to fund a variety of quick-start, short-term projects that would not otherwise be eligible for the program.
- The federal government's Canada Healthy Communities Initiative will provide up to CAD 31 million to support local projects under three themes: creating safe and vibrant public spaces, improving mobility options, and digital solutions.
- To assist junior mining exploration companies and other flow-through share issuers, the federal government has proposed extending the timelines for these entities to spend the capital they raise via flow-through shares. The timeline would be extended by 12 months.

Support for the Provinces/Territories

The federal government will provide the provincial and territorial governments with:

- CAD 500 million to support critical health care system needs and mitigation efforts
- Over CAD 19 billion as part of a Safe Restart Agreement, meant to help restart the economy and make it more resilient to future waves of COVID-19
- Up to CAD 2 billion through the Safe Return to Class Fund
- CAD 320 million towards an agreement with the Newfoundland and Labrador government, to support safety improvements, maintenance and upgrades of existing facilities, and research and development in the offshore energy sector
- CAD 1.5 billion through existing Workforce Development Agreements to offer Canadians with skills training and employment supports

Debt

The federal government will work with provincial and territorial governments to top-up the salaries of essential workers. On 7 May 2020, the federal government announced that it would be contributing CAD 3 billion towards the top-ups, with provincial and territorial governments contributing CAD 1 billion. Each province or territory will determine which workers will be eligible for support and how much support they will receive.

(Note: The above summary sets out active/ongoing federal government interventions. Certain federal measures have ended, or applications are closed. Provincial and municipal governments are also implementing their own measures.)

To read more about this topic, please see this alert: Rent relief is available for small business tenants through the Canada Emergency Commercial Rent Assistance portal

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt section above.

To date, guidance from the insolvency regulator has been focused on measures to keep the insolvency system functioning during the closures caused by COVID-19.

Both the CCAA and the BIA were recently amended and the following noteworthy changes came into force on 1 November 2019:

- Require participants in insolvency proceedings to act in good faith.
- Provide for the possibility of the court-ordered disclosure of a creditor's real economic interest in an insolvent company.

Canada

Restructuring & Insolvency

- Explicitly permit management to consider the interests of workers and pensioners when fulfilling their corporate duties.
- Impose director liability in appropriate cases for executive compensation payments in the year leading up to an insolvency.
- Limit the decisions that can be taken at the outset of a CCAA proceeding to measures necessary to avoid the immediate liquidation of an insolvent company (length of initial stay reduced from 30 to 10 days and limit relief to that which is reasonably necessary for the continued operations of the debtor company in the ordinary course of business).
- Exempt assets held in registered disability savings plans from creditor claims in bankruptcy.
- Extend current intellectual property (IP) license rights to insolvency scenarios such as bankruptcies, receiverships and asset sales where there is uncertainty in the law regarding the protections for IP licenses.

In addition, some protections have been extended to individuals (e.g., protection from eviction), but there are no formal restrictions on creditor actions against businesses.

Equity

The Government of Canada announced on 20 May 2020 that it will offer loans to certain large corporations on a case-by-case basis for the next 12 months through its Large Employers Emergency Financing Facility ("LEEFF") program. Loans made through the LEEFF program to public corporations (or their subsidiaries) will be granted subject to such borrowers issuing warrants giving the Government of Canada the option of purchasing shares worth 15 per cent of the loan, or receiving the equivalent in cash.

The LEEFF program will be open to large for-profit businesses— with the exception of those in the financial sector— as well as certain not-for-profit businesses, such as airports, with annual revenues generally in the order of CAD 300 million or higher. To qualify for LEEFF support, eligible businesses must be seeking financing of CAD 60 million or more, have significant operations or workforce in Canada, and not be involved in active insolvency proceedings.

Additional conditions to receive LEEFF program loans may include that companies demonstrate how they will protect jobs and maintain their investment activities in Canada, that the salary of the executives of a borrowing company will be capped at CAD 1 million, and that recipient companies may be required to commit to publish certain annual climate-related disclosure reports.

Taxation

Corporate income tax

Payment Extensions: the federal government will allow taxpayers to defer the payment of all corporate income tax amounts and instalments owing on or after 18 March 2020 until 1 September 2020 without interest or penalties. This payment deferral only applies to tax amounts owing under Part I of the Income Tax Act, and not to amounts owing under other Parts, such as withholding tax on amounts paid to non-residents. Similar extensions have been granted by the governments of Alberta [1] and Quebec for provincial income taxes.

Filing Deadlines: the filing deadline for corporate tax returns due after 18 March 2020 and before 1 June 2020 is deferred until 1 June 2020. Corporations with calendar taxation years remain required to file their 2019 returns by the end of June 2020. The filing deadline for partnerships (T5013s) with a fiscal period ending on 31 December 2019 is deferred until 1 May 2020.

Beyond these extensions, taxpayers who are unable to file a return or make a payment by the applicable deadline due to COVID-19 can request the cancellation of penalties and interest under the taxpayer relief provisions. Such relief is subject to the discretion of the CRA.

Social security / Employment / Wage taxes / Personal Income Tax

The federal government has announced measures to support employers and workers including the following:

Canada Emergency Wage Subsidy: the Canada Emergency Wage Subsidy provides relief to eligible employers in respect of wages paid to eligible employees for the period from 15 March to 6 June 2020 (subject to a possible extension up to 30 September 2020). This period is divided into three eligibility periods: 15 March to 11 April, 12 April to 9 May, and 10 May to 6 June.

To be eligible, an employee must be employed in Canada. The subsidy will not be available in respect of employees who have been without remuneration for 14 or more consecutive days in the relevant eligibility period. The subsidy per eligible employee is generally equal to the greater of:

i. 75% of remuneration paid, up to a maximum benefit of CAD 847 per week, and

ii. the lesser of remuneration paid, up to a maximum benefit of CAD 847 per week, and 75% of the employee's pre-crisis remuneration (generally, the employee's average weekly remuneration paid between 1 January and 15 March 2020). Remuneration for this purpose excludes certain extraordinary amounts, such as stock option benefits. Special rules apply for employees that do not deal at arm's length with the employer. There is no limit on the total amount that eligible employers can claim. While not strictly required, employers are expected to make best efforts to "top up" employees' salaries to their pre-crisis amounts.

Taxation

Eligible employers may also be entitled to a refund of 100% of employer paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan in respect of an eligible employee for a week throughout which the employee is on leave with pay.

Employers of all sizes are eligible to participate, provided they meet the remaining criteria. As a result, the program is available to sole proprietors, taxable corporations, certain partnerships, not-for-profit organizations, and registered charities. Public sector entities are excluded from the program.

To be eligible, employers must generally show a drop in revenue of at least 30% in the relevant eligibility period (15%, for the first eligibility period). This is generally determined month-over-month, by comparing revenue in the calendar month in which the eligibility period began over the same calendar month in 2019. Alternatively, employers may choose to use average revenue for the months of January and February 2020. This may be beneficial for new employers, employers in high-growth sectors, and employers who faced difficulties in 2019. If this alternative approach is adopted, it must be used for the entire duration of the program. Once an employer is determined to be eligible for a specific eligibility period, the employer will automatically qualify for the next eligibility period.

Revenue is generally gross revenue from ordinary activities in Canada derived from arm's length sources (excluding extraordinary items and amounts on account of capital), as computed using the normal accounting method for the business. Employers may use either the accrual method or the cash method, but must be consistent throughout the duration of the program. Special rules apply to employers who earn all or substantially all of their revenue from one or more non-arm's length entities where a joint election is made. In these circumstances, the subsidy may be available if, in general terms, the non-arm's length entity's arm's length worldwide revenue has dropped by the required amount. Where the employer's revenue is earned from more than one non-arm's length entity, there is a formula for determining whether there has been the requisite reduction in revenue. Alternatively, affiliated groups of eligible employers may jointly elect to compute their revenue on a consolidated basis.

Eligible employers will be able to apply through the CRA's My Business Account portal. The names of applicants may be published by the CRA. Applications must be made before October 2020. To apply, an employer must have had a CRA business number and payroll account as of 15 March 2020. More details about the application process will be made available shortly. The subsidy received by an employer will be included in the employer's taxable income.

Taxation

If the government later determines that an employer received the subsidy without meeting the eligibility conditions, the employer will be required to repay any amounts received. Penalties may apply in the case of fraudulent claims or abuse. In particular, employers that engage in artificial transactions to reduce revenue for the purpose of claiming the subsidy will be subject to a 25% penalty, in addition to being required to repay the subsidy. Employers should keep detailed records to substantiate amounts claimed.

Temporary Wage Subsidy: certain small business may qualify for a Temporary Wage Subsidy equal to 10% of the remuneration paid to individuals employed in Canada between 18 March 2020 and 19 June 2020 up to CAD 1,375 per employee, and CAD 25,000 total per employer. Eligible businesses include individuals (excluding trusts), certain Canadian-controlled private corporations, not-for-profit organizations, registered charities, and partnerships, all of the members of which would be eligible. Eligible businesses will receive this benefit as reduced payroll remittances. Employers are required to continue to remit Employment Insurance, Canada Pension Plan, Quebec Pension Plan, and Quebec Parental Insurance Plan contributions in full. The subsidy will be included in the employer's taxable income. To the extent an employer receives this subsidy, its Canada Emergency Wage Subsidy (if available) will be reduced.

Canada Emergency Response Benefit: the Canada Emergency Response Benefit supports workers meeting certain conditions who have stopped working as a result of COVID-19, such as those who i) are ill, quarantined or taking care of someone with COVID-19, ii) are away from work to care for children who require day care due to closures, iii) have been let go from their job or are not getting paid because there is not enough work, or iv) are self-employed individuals (including contract workers) who are without self-employment income. The benefit is generally not available to workers who are eligible for Employment Insurance. The benefit provides eligible workers with up to CAD 2,000 per 4-week period for up to 16 weeks. The benefit will be included in the worker's taxable income.

Work Sharing Program: The maximum duration of the Work-Sharing program has been extended from 38 weeks to 76 weeks for employers affected by COVID-19. This program provides income support to employees eligible for Employment Insurance who agree to reduce their normal working hours and share available work where there is a temporary decrease in work beyond the control of the employer. Employment Insurance benefits received by employees through the Work-Sharing program will generally reduce the Canada Emergency Wage Subsidy their employer may otherwise be entitled to.

Taxation

VAT

GST/HST: Businesses can defer GST/HST net tax remittances, as well as remittances of duties and taxes owed on imports, due on or after 27 March 2020 until 30 June 2020 without penalties or interest. The deadline for businesses to file their returns is unchanged; however, the CRA will not impose penalties for late filing, provided returns are filed by 30 June 2020.

Quebec has taken effectively the same measures for QST as the federal government has for GST/HST with respect to filing returns and making remittance payments (outlined above).

Ontario will not apply interest or penalties on late payments or filings, commencing 1 April 2020, for a number of provincial taxes until 31 August 2020, including, *inter alia*, employer health tax, mining tax, tobacco tax, fuel tax, gas tax, and insurance premium tax. Further, the employer health tax exemption for employers with Ontario payroll of less than CAD 5 million will be temporarily raised from CAD 490,000 to CAD 1 million of payroll for 2020.

British Columbia is extending filing and payment deadlines until 30 September 2020 for employer health tax, provincial sales tax (including municipal and regional district tax), carbon tax, motor fuel tax and tobacco tax. Implementation of previously announced measures in the British Columbia budget that would require non-residents to register for and collect provincial sales tax on certain e-commerce supplies effective 1 July 2020 will be delayed. Timing will be re-evaluated sometime before 30 September 2020. The implementation of BC PST on sweetened carbonated drinks was also previously planned for 1 July 2020, but will be subject to the same delay and future evaluation. Aligning the carbon tax rates with the federal carbon pricing backstop as previously announced in the budget is also postponed until further notice.

Saskatchewan is permitting businesses directly impacted by COVID-19 that are unable to file their Saskatchewan tax return(s) by the due date to submit a request for relief from penalty and interest charges on the affected return(s).[2]

Manitoba has extended PST and payroll tax (i.e., the health and post-secondary education tax levy) filing deadlines for small and medium-sized businesses with remittances of CAD 10,000 or less by up to two months. Previously planned measures to be implemented 1 July 2020, including a PST rate reduction (from 7% to 6%) and imposition of provincial carbon tax of CAD 25 per tonne, have been deferred to 2021.

Taxation

Non-Resident Withholding Tax

The filing deadline for non-resident payment information returns (NR4s) has been extended until 1 May 2020. There is currently no relief proposed for non-resident withholding tax (Part XIII tax).

Employer Source Deductions

Relief for certain employer paid contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan may be available in respect of employees on leave with pay under the Canada Emergency Wage Subsidy.

Excise / Import duties

Certain tariff codes customarily subject to Non Automatic Import Licenses (e.g., disinfectants, cleaning and hygiene articles, chemical products, etc.), are currently subject to Automatic Import Licenses.

Other taxes

Temporary reduction (for a period of 90 days) of the tax rates applicable on the Tax on Debits and Credits on Checking Accounts and other Transactions for establishments and institutions engaged in the provision of health services.

The 0.60% rate has been reduced to 0.25%. In addition, the 1.20% has been reduced to 0.50%.

The Federal Tax Authority has extended (until 30 June 2020) the facilitating payments on tax, social security and customs debts set forth by General Resolution No. 4268/2018.

The Federal Tax Authority has extended (between 18 May 2020 and 22 May 2020) the term to file Transfer Pricing documents related to fiscal years closed between 31 December 2018 and 30 September 2019 (including).

Decree No. 330/2020 was published in the Official Gazette on 1 April 2020, extending until 30 April 2020 the deadline to repatriate 5% of foreign assets for purposes of being subject to the 1.25% Personal Assets Tax rate (and not to the aggravated 2.25% rate)

The deadline for remittances of the Alberta Tourism Levy due between 27 March 2020 and 30 August 2020 is deferred until 31 August 2020.

Taxation

Comments

Electronic Signature Relief: the CRA will recognize electronic signatures on the forms used to authorize tax preparers to file taxes in an effort to reduce in-person meetings. Revenu Quebec has announced similar measures in respect of its authorization forms.

Audit Activity: CRA interaction on ongoing audits has been suspended for the "vast majority of businesses" and the CRA will generally not initiate any post assessment income tax or GST/HST audits for small or medium businesses for the next four weeks. The CRA may interact with taxpayers where the statutory time limit for reassessment is approaching or on "high-risk" GST/HST refund claims that require contact prior to payment. The extent of audit activity that large corporations will be subject to is currently unclear given the limitations on CRA personnel's ability to conduct audits remotely. The statutory deadlines for the assessment or reassessment of tax by the CRA have not been extended by Parliament.

Objections: the deadline for objections to tax assessments or reassessments due 18 March 2020 or later is extended until 30 June 2020.

Tax collections: the CRA has suspended all collection activities on new debts. Flexible payment arrangements and interest and penalty relief may be available at the CRA's discretion.

Courts: there are various court closures and extensions of filing deadlines that could potentially impact tax appeals. In particular, the Tax Court of Canada has suspended all sittings and conference calls until and including 1 May 2020.

Competent Authority: the competent authority services division continues to operate but personnel are working from home and dealing with information technology resource constraints. As well, given orders for non-essential personnel to remain home, there is currently no mail processing for this group. If taxpayers need to make a filing, they should contact CASD (MAP-APA/PAA-APP.CPB/DGPO@cra-arc.gc.ca) to determine alternative means for filing.

To read more about this topic, please see this alert: CRA provides administrative relief for international tax issues arising from COVID-19 travel restrictions

Chile

Foreign Investment Restrictions

There is no foreign investment review regime.

Debt

Capital contribution of Chilean State Bank (*Banco del Estado de Chile*)

Law No. 21,225, published on 2 April 2020, authorizes the Minister of Finance to perform (within the next 12 months from 2 April 2020), and provides prior approval of the Chilean Commission for the Financial Market for, one or more capital contributions through one or more Decrees ("by order of the President of the Republic of Chile") to the Chilean State Bank (Banco del Estado de Chile) for a total aggregate sum up to USD 500 million. This measure will increase Banco Estado's credit capacity by approx. USD 4.4 billion.

State Guaranteed Loans Scheme and COVID-19 Credit Line to support companies

Chilean Government is working on a powerful guarantee scheme to provide credit for companies with annual sales of up to UF 1 million (approx. USD 33,610,366). This measure seeks to give liquidity to 99.8% of companies, which provide 84% of employment, to cover their working capital needs during this emergency (e.g., payment of salaries, rent, supplies and others). To this end, State guarantees offered for loans from banks to companies will be enhanced, creating, in addition, a new liquidity line: COVID-19 Line of Credit.

Raising of additional funds and liquidity to enhance the different measures being implemented

Law No. 21,225, published on 2 April 2020, authorizes the President of the Republic of Chile to contract obligations, during 2020, in the country or abroad, in national currency or in foreign currencies, up to the amount of USD 4 billion.

Solidarity Fund

The Government announced the creation of a Solidarity Fund of USD 100 million destined to attend social emergencies derived from the drops in sales of the local micro-commerce. It is planned that these funds will be channeled through the municipalities.

Debt

Regulatory exceptions for the accounting provisions performed by banks, cooperatives of saving and credit, administrators of endorsable mortgages and insurance companies

The Commission for the Financial Market, permitted the constitution of accounting provisions linked to the extension of the installments/dividends payment schedule for mortgage, commercial and consumer loans, encouraging the lending institutions to reschedule the payment obligation of their debtors.

Restructuring & Insolvency

The state offers support to companies in difficulties, with a focus on trying to avoid the initiation of liquidation and reorganization proceedings, helping the companies' liquidity and solvency, as set out in the Debt section above.

Liquidation

Some special measures have also been introduced to carry out liquidation, such as flexibility in the majority rules for the adoption of agreements, the possibility of hearings being held through videoconferences or some form of recognized electronic voting, the limitation to the execution of guarantees, the promotion of bankruptcy arbitration for the supposedly most complex cases (such as large companies, especially strategic ones), among others.

There is no legislative project, but under comparative law, in the near future, it would be sought to legislate regarding the right of creditors to request the procedure of forced liquidation in consideration of the current contingency, seeking to avoid the bankruptcy of companies that may become viable again.

There is a bill though, initiated by the President of the Republic, that establishes measures to boost productivity and entrepreneurship, and that establishes a series of measures and modifications to the Bankruptcy Procedures Law.

The modifications consist mainly of:

- the adapting of current regulations to technological advances, making the procedure more efficient,
- the modification of the concept of "debtor company" to prevent it from being understood by natural persons who issue fee invoices, coming to be understood within the category of "debtor person",

Restructuring & Insolvency

- the incorporation of the concept of a smaller company,
- the establishment of a higher liability standard when a creditor requests forced liquidation of a company.

Reorganization

As it is a voluntary procedure, only the will of the debtor company matters, excluding the crediting of the will of the creditors at the beginning of the procedure. Consequently, no type of modification or restriction has been made to the actions of the creditors, but temporary measures have been implemented to carry out the procedure.

However, many of those temporary measures highlighted above (e.g., the possibility of hearings through videoconferences or the recognition of some form of electronic voting, facilitating extrajudicial or simplified reorganizations, limiting the termination of essential contracts (such as the lease or provision of basic services) or the execution of guarantees) make the rules more flexible for the adoption of reorganization agreements.

Measures and modifications to the Bankruptcy Procedures Law will also apply to reorgainisations:

- the adapting of current regulations to technological advances, making the procedure more efficient,
- the modification of the concept of "debtor company" to prevent it from being understood by natural persons who issue fee invoices, coming to be understood within the category of "debtor person",
- the incorporation of the concept of a smaller company,
- the establishment of the maximum amount of the vendor's fees in cases where the debtor company is a smaller company. An exception has also been established to the requirement of the reorganization resolution issued by the competent court, regarding the seller's fees when the debtor company is a smaller company.
- the ability of the debtor company to submit the information regarding its creditors by means of an affidavit if the debtor company qualifies as a smaller company,
- the fostering of efficiency in the activity of the organs of the State administration, specifically the Superintendence of Insolvency and re-entrepreneurship, in its relationship with individuals.

Chile

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

Postponement, until July 2020, of the payment of the annual income tax bill for SMEs (originally due in April 2020).

Suspension of monthly income tax provisional payments for a period of 3 months (until 30 June 2020).

Certain expenses associated with health contingency activities will be accepted as allowable tax deductions (e.g. expenses related to certain medical exams, implementation of remote working accommodations, and acquisition of hygienic supplies).

On 31 March 2020, the IRS initiated the process of consultation of the public ruling regarding the deduction of expenses related to COVID-19 (until 15 April 2020). The bill of public ruling allows the deduction of all expenses that attempt to avoid the expansion of COVID-19, as well as expenses incurred in favor of enterprises, with the purpose of maintaining the business, such as strategic business plans, remuneration and support plans of employees, as well as customer loyalty programs.

Social security / Employment / Wage taxes / Personal Income Tax

No specific measures have been adopted.

VAT

Postponement of VAT payment for a period of three month applicable to enterprises with 2019 sales not exceeding approx. USD 11.35 million. Applicable entities are entitled to pay VAT in up to 12 monthly installments at a 0% interest rate.

Excise / Import duties

No specific measures have been adopted.

Taxation

Other taxes

Postponement of the first installment of real estate tax (originally due April 2020) for enterprises with sales not exceeding approx. USD 11.35 million in 2019, and for individuals owning real estate that do not exceed USD 150,000 of fiscal value. Payment of this installment may be made during calendar year 2020, with a 0% interest rate.

Transitory reduction of stamp tax to 0%, for all credit operations taking place in the next 6 months (effective as of April 2020).

Extension of payment of Real Estate Tax term: a) Regarding properties with housing destination, owned by individuals, and whose tax appraisal value does not exceed 5,000 UF as of January 1, 2021: The term for payment of the four instalments of Real Estate Tax 2021 is extended, which may be paid readjusted in by inflation in April 30, June 30, September 30 and November 30, accordingly, of the year 2022; b) Regarding properties owned by companies, which revenues did not exceed 100,000 UF in business year 2020 and which revenues decreased at least 30% of their monthly average in January and February 2021: The term for the payment of Real Estate Tax instalments due on April 30 and June 30, 2021 are extended, which may be paid adjusted to April 30 and June 30, 2022, respectively.

The General Treasury is empowered to provide payment flexibility by means of special agreements, regarding payments of fiscal, customs and territorial taxes, which are due on March 1, 2021, with respect to the following taxpayers:

a) Individuals whose income subject to taxes included in the annual income tax return corresponding to tax year 2020 does not exceed 50 annual tax units (USD 44,000 approx.), and b) Companies whose business year sales in the 2020 business year do not exceed 350,000 UF (USD 14,500,000 approx.) and which suffered a decrease of 30% or more in their monthly average sales in January and February of 2021, comparing with the monthly average sales in the same period of 2020. Special agreements will be subject to certain conditions and percentages, depending on the type of taxpayer and the percentage of decrease in their sales. c) Taxpayers not included above may sign a payment agreement in 24 monthly installments, with an initial payment of 3% of the debt and the balance due to be agreed in the remaining installments.

Taxation

Comments

The Supreme Decree published on 1 April 2020 extends the term for taxpayers toopt to any of the new tax regimes stated by the Tax Reform Act. This term initially expires on 30 April. The term was extended to 31 July 2020.

Supreme Decree No. 600 authorizes to extend the term of payment of municipal tax to companies whose turnover sales in the 2020 business year do not exceed 100,000 UF (CLP 3,000 million approx.), under the following conditions: a) Extension of the Municipal Tax payment dates by up to three months and without fines or interest; b) Payment of the annual or semi-annual installments of the Municipal Tax in up to six equal and successive monthly installments, without fines or interest. The aforementioned benefits will be granted with respect to the annual or semi-annual installments corresponding to the period between July 1, 2021 and June 30, 2022.

The Chilean IRS and the Treasury are authorized, for a period of 90 days as of the publication of the Supreme Decree No. 611, to forgive interests and fines originating from overdue fiscal taxes, customs and real estate taxes, according to the following terms: a) 90% of the interest and penalties may be forgiven, if the taxpayer pays the total amount of the tax or taxes owed; and b) 70% of the interest and penalties may be forgiven, if the taxpayer enters into a payment agreement for the total amount of taxes owed.

Colombia

Foreign Investment Restrictions

There are no new restrictions on foreign investment into Colombia.

Debt

Emergency Mitigation Fund

The Colombian President decreed the existence of a national emergency situation due to the pandemic which allows it to issue rules having the force of law. Under these rules, it incorporated an Emergency Mitigation Fund ("FOME" for its acronym in Spanish) to provide liquidity to the market. The FOME will be funded with loans granted by the Tax Stabilization and Savings Fund, by the Territorial Pension Funds and by the Occupational Risk Fund. These resources will be used to meet the liquidity needs of the governmental entities, to finance or invest in capital or debt instruments issued by private, public or mixed companies that carry out activities of national interest and to grant liquidity support to the public and private financial sectors.

New credit lines

The Government also allowed certain governmental financial entities that usually act as rediscount banks, to grant loans directly. These entities are also offering special credit lines to deal with the liquidity issues derived from the pandemic and the mandatory confinement order by the Colombian government, currently extended until 27 April. Through this special lines, a total of COP $1.325 billion (approx. USD 5,180,750,000.000.000) will be released to grant loans.

National Guarantee Fund

The Colombian government is optimizing its assets. As part of this strategy, dividends and liquidity excess of certain governmental institutions will be used to capitalize the National Guarantee Fund, a Colombian governmental entity that provides guarantees to secure loans. By this means, it intends to enhance the access to financing for the general public. Under the new measures, the Colombian government will cover up to 75% of the cost of the premium payable to the Fund that will be exempted of VAT; also, the guarantee will secure up to 80% of principal.

Debt

Update 7 May: this guarantee program will now have an amount of COP $15 billion (approx. USD 3,713,790.542.213) and it will be composed of two new credit lines directed to finance: (i) payroll of small and medium businesses – guaranteeing up to 90% of principal – and (ii) independent workers – guaranteeing up to 80% of the principal.

Additionally, another line was created for the small and medium companies affected by COVID-19, which includes travel agencies, tour operators, airport activities, and hairdressing salons, among others.

Such line will have a coverage of 90% and a partial subsidy of the commission of 75%, in charge of the National Government.

Flexibility of credit operations for state entities

The Colombian Government also relaxed the requirements for state entities to obtain financing and allowed to pay short term debt with additional debt up to certain thresholds.

In this way, a new Decree was issued by the government establishing more flexible measures so that territorial entities can solve their liquidity issues. Among the main points of the Decree are:

1. It allows territorial entities and their decentralized entities to contract treasury credits with financial entities to attend to temporary cash shortages in both operating and investment expenses
2. They may also hold economic reactivation credits, provided that their debt balance / income ratio does not exceed 100% and it is not necessary to verify compliance with the interest / operational savings ratio. If new credit exceeds this limit, authorization from the Ministry of Finance is not required, but the entity must demonstrate that it has a low credit risk rating.
3. Territorial entities that have achieved coverage equal to or greater than 80% of their pension liabilities in the central sector, may request resources that exceed this percentage to attend to the crisis.

Colombia

Debt

Relief measures to strengthen formal employment

The government created the Formal Employment Support Program - PAEF, through which legal persons (and now also natural persons, who have at least three employees, consortiums and temporary unions), will be able to receive a monthly monetary contribution of a state nature, and up to three times, in order to support and protect the country's formal employment. To be able to access the PAEF, in the case of legal entities they must: (i) have been established before 1 January 2020; (ii) have a commercial registry that has been renewed at least in 2019; (iii) demonstrate the need for the contribution, certifying a decrease of 20% or more in their income; (iv) not having received said contribution on three occasions and (v) not having been obliged to refund the state contribution. Regarding the amount of the contribution, this will correspond to the number of employees multiplied by up to 40% of the value of the current legal monthly minimum wage.

Relief measures for debtors

The Financial Superintendence of Colombia issued certain instructions to financial entities (public and private sector) in case they decide to modify loans in general to grant certain reliefs (it is not mandatory). As part of these instructions, such modifications cannot, among others: (i) increase the interest rate: (ii) collection of interest on interest; (iii) charge interests over other concepts such as insurance or management fees.

Additionally, the Financial Superintendence of Colombia, also created the Debtor Support Program - PAD, which contains a set of measures for the treatment of debtors in the face of their new economic reality and of which the following stands out: credit institutions must apply targeted and structural measures for debtors affected by COVID-19, in which they recognize the new economic reality of the debtor and allow him to fulfill its existing obligations during the life of the credit; Special measures are included for origination and risk level rating for micro, small, medium, and other companies that are in insolvency proceedings, and credit institutions must implement the PAD for debtors who's income or who's ability to pay has been affected as a result of the virus. The following conditions must be taken into account: (i) the reduction in the value of the installment, (ii) the initially agreed interest rate may not be increased and (iii) they may grant new grace periods without the possibility of capitalizing interest and without charging interest for other items such as handling fees and insurance.

Colombia

Debt

International Monetary Fund and the Inter-American Development Bank

The International Monetary Fund has renewed the Colombian government Flexible Credit Line equal to about USD $10.8 billion. This credit line, has three main characteristics: (i) its contingent; (ii) the resources are available immediately and (iii) its a non-conditional instrument. On the other hand, the Inter-American Development Bank also granted Colombia a loan of approx. USD $1.150 million.

New obligations to banks

Banks and other financial institutions are obliged to invest in internal public debt securities issued by the Colombian government with the intention of funding FOME. For this purpose, the minimum reserves (encaje) that banks must maintain in the Central Bank were reduced. In this sense, the government issued a Decree ordering the issuance of debt securities for up to COP $ 9.811.300.000.000 (approx. USD 2, 476,975,511). As a result of the above, the Nation has successfully placed COP $255 billion in Treasury Securities (TES) in the Colombian stock market.

New access to resources

In order for companies to gain access to resources, through Decree 817, the government allows simplified joint stock corporations (SAS) to trade their securities in the second market (market for professional investors). In this way, SAS may be able to register their securities in the National Registry of Securities and Issuers and trade them in the Colombian Stock Exchange. Additionally, the emissions may be guaranteed by the National Guarantee Fund. Among this measures, the State is also providing a life saver to companies affected by COVID-19 by allowing the State to buy their shares, however it may require the shareholders of the affected company to guarantee that they will buy the State participation within a determined term.

Measures for companies in the agricultural sector

To mitigate the economic effects caused by COVID-19 in workers and producers within the agricultural sector, the State allowed the Agricultural Fund of Guarantees, the Agrarian Bank and the Fund for Financing of Agricultural Sector (Finagro), to have faculties to enter into portfolio recovery and payment agreements, that may include forgiveness of interest, quitclaims and discounts.

Colombia

Restructuring & Insolvency

On 15 April 2020, new insolvency rules were enacted to mitigate the economic effects of COVID-19 (Decree 560/ 2020) .

Under Decree 560 of 15 April 2020, once a request for admission into reorganization is submitted, the debtor may be authorized by the bankruptcy court to prepay external labor and suppliers' liabilities not exceeding 5% of its absolute external liabilities, for which purpose, the debtor may, without prior authorization, dispose of any non-operational fixed asset whose amount does not exceed the overall value of the prepayment.

A debtor-in-possession is authorized to apply for loans aiming at preserving the business, without prior authorization of the bankruptcy court.

A debtor-in-possession is authorized to constitute loan-related securities over estate assets even if other creditors had already been secured with those assets. This shall be authorized by the bankruptcy court and shall not diminish or affect pre-existing secured creditors.

In addition, there is a short moratorium for payment obligations of reorganization agreements underway, covering April, May and June 2020. Those obligations shall be deemed outstanding from July 2020.

Equity

To ensure the continuity of companies providing services of national interest, including, among others, health, public services, food production and hygiene products, the National Government issued Decree 444 of 2020, creating the Emergency Mitigation Fund (FOME). The FOME's funds can be invested to acquire, among other things: (i) shares (equity) with special participation conditions, e.g., buybacks and preferential dividends, among other privileges; or (ii) debt instruments (semi-equity) of public, private or mixed companies providing services of national interest, which have been severely affected by the health crisis.

The Ministry of Finance will determine the specific equity and semi-equity investments that can be made with the FOME's funds. The decision to make any investments referred to herein shall be analyzed by the Ministry of Finance, taking into account the consequences of the economic and social crises generated by COVID-19.

Additionally, by means of Decree 811 of June 4 of 2020, it was clarified that, if the government acquires a minority stake in a public, private or mixed company, it shall have (i) a put option to sell its interest to other existing shareholders, and (ii) a drag along right to be able to sell a controlling stake to a third party. However, the decree does not specify a procedure for either of these two exit alternatives; it only establishes that the government's interests may only be sold via a prior divestment program approved by the corresponding Ministry in coordination with the Ministry of Finance, and which shall include the valuation of the shares, based on appropriate technical studies.

Equity

The sale of any interests acquired by the government in non-listed companies shall be governed by private contracting rules, which means that such sales will not be subject to the privatization regime set forth in law 226 of 1995.

Regarding the sale of the government's interests in listed companies, law 226 of 1995 would have to be observed, except that (i) the government may use price determination mechanisms based on international standards (such as a book building mechanism) and (ii) the interests may be offered simultaneously to the *sector solidario* and to the general public.

Additionally, according to Decree 560 of 2020, if agreed in the reorganization agreement, governmental entities may acquire risk bonds of companies that have entered into an insolvency proceeding. In case of liquidation of the company, such bonds would be subordinated to the payment of all other external liabilities of the company. The procedure for the governmental entities to sell these bonds is unclear as of this date.

Taxation

Corporate income tax

For large taxpayers, the deadline to pay the second installment of the income tax is extended to 21 April and 5 May 2020, depending on the last digit of the taxpayer's ID (NIT). The second installment shall be equal to the 45% of the total value of the income tax payed last year. The income tax return filing schedule and to pay the third installment is extended to 9 June and 24 June 2020, depending on the last digit of NIT.

For other taxpayers, the deadline to pay the first instalment of the income tax, which shall be equal to the 50 % of the tax payed in 2018, is extended to 21 April and 19 May 2020, depending on the last two digits of the NIT. The income tax return filing schedule and to pay the second installment is extended to 1 June and 1 July 2020, depending on the last two digits of the NIT.

Only for taxpayers classified as micro-, small and medium sized enterprises the deadline to pay the second installment of the income tax is extended to the period between 9 November and 7 December 2020, depending on the last two last digits of the NIT.

From 15 April to 31 December 2021, taxpayers that make new investments equal or greater than 2 million tax value units ("TU") in the national aeronautical industry, can benefit from the mega-investment project incentive regime established in Law 2010 of 2020. The regime provides for a reduced 27% corporate tax rate and exemptions from dividends tax, net worth (equity) tax and from applying the presumptive income system, among others.

Colombia

Taxation

New tax benefits have been created for entities involved in insolvency:

a. exemption from withholding tax: between 15 April and 31 December 2020;

b. exemption from advance income tax payment for fiscal year 2020 and

c. entities involved in insolvency reorganizations shall not be obliged to apply the presumptive income system for fiscal year 2020.

Several taxpayers shall be exempt from the advance payment of income tax for fiscal year 2020, and other taxpayers will be obliged to pay only the 25% of said advance payment. Only the taxpayers whose economic activity falls within any of the "ISIC codes" provided by the Decree 766 may benefit from the reduction of the advance payment of income tax.

Public cultural incentives granted under Laws 397 of 1997 and 814 of 2003 will not be subject to withholding tax: until 30 June 2021.

Social security / Employment / Wage taxes / Personal Income Tax

Taxpayers engaged in certain economic activities (i.e. restaurants and tourism) are not required to pay payroll taxes to the Family Compensation Bureau, National Apprenticeship Service -"SENA", and the Colombian Family Welfare Institute -"ICBF"

The quotations to the Social Security System will be reduced to 3% between April 17 and May 30, 2020. Employers shall pay 75% of the quotations and employees shall pay the remaining 25%

VAT

For certain businesses, an extended deadline applies for VAT payment for the March to April period, and for taxpayers following a four-month period, covering January-April. The extended deadlines apply to taxpayers engaged in certain economic activities (i.e. ready-to-eat meals, cafeterias, hotel service companies, live entertainment activities and commercial airlines).

Certain medical equipment such as nebulizers, vital sign monitors, and oxygen have shall be exempt from VAT, during the period 17 March to 17 April 2020.

Fees payed to the National Royalties Fund for rendering warranty services in order to provide coverage related to COVID-19 effects shall be exempt from VAT-tax. (these fees shall also be subject to a 4 % withholding tax rate).

Colombia

Taxation

The entities involved in insolvency procedures are entitled to the tax benefit of reduction to 50 % of the VAT-withholding rate, between 15 April and 31 December 2020.

Gifts of goods for human use to prevent and stop the spread of COVID-19 shall not be subject to VAT.

Between 15 April and 31 December 2021, VAT rate shall be reduce to 5 % for passengers air transport services and aviation gasoline "Jet A1" or "AVGAS".

Until 13 August 2020 mobile phone voice and internet plans up to 2 tax value units (COP 71,214) shall be exempt from VAT.

The sale of certain movable tangible goods within Colombian territory shall be exempt from VAT during 19 June, 3 July and 19 July 2020: The goods covered by this measure are (I) clothing and clothing accessories, (ii) household appliances and computers, (iii) sports equipment, (iv) toys and games; (v) school supplies and (vi) goods and inputs for the agricultural sector.

Hotel and tourism services shall be exempt from VAT: until 31 December 2020

The lease of commercial premises shall not be subjected to VAT: between 22 May and 31 July 2020.

Food and beverage sales activities carry out through franchises shall be excluded from VAT: until 31 December 2020

Chemical raw materials to produce medicines shall be excluded from VAT: until the health emergency is over.

The importation of motorized public passenger transport vehicles and the motorized chassis and bodywork to form a new complete motorized public passenger transport vehicle shall be exempt from VAT: until 31 December 2020

The importation of motor vehicles for public or private service, for the transport of goods and the motor chassis and bodywork purchased individually to form a new complete motor vehicle for the transport of goods shall be exempt from VAT: until 31 December 2020.

Artistic services provided to produce audiovisual productions for public performances in the performing arts shall be excluded from VAT: from 1 July 2020 and until 30 June 2021.

Colombia

Taxation

Excise / Import duties

For a period of 6 months, all custom duties will be reduce to 0% for imports of certain devices, medicines and medical equipment and for certain goods used in the air travel industry.

For a period of 6 months, the exportation of 24 different products required to prevent the spread of COVID-19 will be prohibited. This includes items such as such as soap, antibacterial gel and special mask.

Other taxes

Extension (until 29 July 2020) of the deadline to file the tourism contribution form and for payment of the first quarter of 2020

The Bogota District Tax Authority has extended the deadline for payment of real estate tax until 5 June 2020 for taxpayers interested in gaining a 10% reduction of the tax.

The Colombian Tax Authority (DIAN) has extended the deadline to summit exogenous information required by law in magnetic media. For Major tax payers, the deadline was extended to the period between 9 June and 24 June 2020, depending on the last digit of the NIT; For individuals and legal entities, the deadline was extended to the period between 1 June and 1 July 2020 and for entities which entered into cooperation and technical assistance agreements with international organizations, the deadline was the last working day of April 2020.

Between 1 May and 31 July 2020, all public officers and pensioners with salaries or pensions equal to COP 10 million or higher shall pay the new solidarity tax due to COVID-19. Said individuals will be taxed by means of a withholding tax.

Therefore, all public entities must act as withholding agents and apply the corresponding "new solidarity tax" withholding rate (10%, 15% or 20% depending on the value of the salary or pension). The new tax has to be withheld at the moment of payment or when the income is accrued, whichever occurs first. The first COP 1,800,000 of the salary/pension shall be exempt from the new solidarity tax.

Reduction to 0% of the rate of national consumption tax for services provided by bars, taverns, nightclubs, and restaurants: until 31 December 2020.

The Bogota District Tax Office has extended the deadline to file the industry and commerce tax (ICT) return corresponding to second quarter of fiscal year 2020, as well as the deadline to file the withholding ICT return to the period between 31 August 2020 and 2 December 21.

Colombia

Taxation

Comments

DIAN has suspended all legal terms and deadlines for all of its procedures between 19 March and 3 April 2020. However, DIAN shall provide virtual assistance to assist taxpayers with registering before the Colombian Tax Registry or updating the tax information of the taxpayers.

The Bogota District Tax Authority has suspended all legal terms and deadlines for all of its procedures between 26 March and 13 April 2020.

Judicial terms are suspended nationwide between 16 March and 3 April 2020.

National Government has authorized governors and local majors to redirect or modify specific destination revenues derived from subnational taxes and to carry out any public debt operation needed to address the health emergency.

The Colombian Tax Office has issued the requirements for taxpayers to apply for tax payment arrangements set forth by Law 2010 of 2019.

The Colombian Tax Office has established an abbreviated procedure to request tax refunds. The request may be submitted in the technological platform or by e-mail. It is unnecessary to attach a statement on costs, expenses and deductions. For taxpayers not considered high-risk, the reimbursement and/or refund will be authorized 15 days after the application was filed.

Tourism tax. Companies that regularly provide international passenger transport services will have until 30 October 2020 to file the tax return and pay the corresponding tax for the first and second quarter of 2020.

Mexico

Foreign Investment Restrictions	To date, Mexico has not made any specific change to the foreign investment regime due to the pandemic.
Debt	Federal and local governments have issued their own support programs for medium and small businesses to face the COVID-19 health emergency. Among those support programs are: i. "*Crédito a la Palabra*," a program to provide funding to micro and small businesses to support their operations and employees. This includes support of MXN 25,000 to be paid over a three-year period. ii. "*Apoyos a empresarios solidarios*," the Mexican Institute of Welfare will aid employers to pay salaries with a reduction of rates. iii. Bank of Mexico (Banxico) reduced its interest rate to 6.5% (a 50-point reduction) and will inject up to MXN 750 billion into the banks, with the aim of these resources being provided to companies and individuals. iv. Mexican Tax Administration Service (SAT) extended the period for the filing of tax declarations of individuals until 30 June (the original deadline was in April).
Restructuring & Insolvency	In accordance with Decree 8/2020 issued by the Federal Judicial Council on 27 April 2020, although all judicial activities and terms are suspended, any proceedings related to interim measures in bankruptcy proceedings are considered as "urgent matters" and therefore applications on this matter should be resolved. Not as public policy; however, under Mexican Law force majeure may constitute a release of liability for the parties. However, to fully prove the existence of force majeure, the claiming parties must demonstrate that the situation was (i) external; (ii) unsurpassed; (iii) unpredictable; (iv) inevitable; and (v) beyond the control of the parties. An amendment to the insolvency regime was last enacted on 22 January 2020.

Taxation

Corporate income tax

No federal tax relief measure, incentives, or supporting programs have been issued.

Social security / Employment / Wage taxes / Personal Income Tax

No special relief measures on a federal level were announced. It is advisable to continue to monitor for any announcements

For companies:

a) Ongoing extension to pay social security contributions in up to 48 installments through an agreement, with an initial payment of 20% of the employer contribution and 100% of the employee contribution. The remaining amount will not generate inflation adjustment, but surcharges apply. Fines also apply but these will decrease upon timely payment under the terms until a level of pardon of 90% of the originally fines. A monthly interest applies ranging from 1.26% up to 1.82%, depending on the period selected by the employer. The period for payment may vary from 12, 24 and up to 48 months from the execution date of the agreement. Employers will not need to guarantee the tax interest amount;

b) Deferral of retirement quotas, severance payments and old age payments for full periods owed, with non-pardon of accessories and

c) the IMSS will deduct up to 7 days from the monthly social security per employee for absenteeism, provided the employment relationship is not terminated, and excluding the cost related to sickness and maternity insurance. This benefit will be subject to the company's compliance with specific conditions.

For employees:

a) the IMSS confirms that it will allow the issuance of temporary disability certificates and the payment of subsidies online, due to COVID-19;

b) Employees who lose their jobs will have access to funds in their Retirement Individual Accounts of Advanced Age and Old Age and

c) Employees can subscribe to the Family Health Insurance so they can continue receiving medical attention from the IMSS.

VAT

No tax relief measures have been issued to date.

Mexico

Taxation

Excise / Import duties

No special or relief measures have been imposed. The General Customs Administrator has announced that currently all customs houses in Mexico will continue to operate as per standard practices.

Documents and information to be filed as part of an anti-dumping investigation may be submitted electronically via e-mail.

Other taxes

Certain States continue providing a suspension or extension in the deadlines or rates to comply with certain tax ancillary obligations.

Comments

Local governors continue to issue measures to support Mipymes to obtain credit

To read more about this topic, please see this alert:

SAT extends deadline for Mexican individuals to file 2019 annual tax return

A dive into 2021 Mexican Tax Reform

Foreign Investment Restrictions

COVID-19 has not had an impact on foreign investment rules.

Debt

The government has announced and is implementing an economic stimulus and support plan, equivalent to approximately 12% of 2019 GDP, to address and mitigate the negative impact of the COVID-19 outbreak on the population and on economic activity. This plan is focused on mitigating the impact on employment and public health and minimizing the impact on the economy, including the production of essential goods. To achieve this goal, tax and public spending tools have been deployed, as well as other liquidity measures related, for example, to increased access of citizens to private savings and Public Treasury guarantees for loans to companies to support working capital needs.

Measures to provide financial support to families

- Four different kinds of subsidies, ranging between S/360.00 to S/760.00 in the form of direct payments to households at or below the poverty level, households at or below the poverty line that live in rural areas and self-employed workers. These payments were administered by Banco de la Nación and processed with support of local banks. Eligible recipients were identified by reference to data available from the public health and welfare authorities regarding the neediest households.
- An electricity subsidy was also announced, for up to S/160.00, that would be paid directly to the service providers. This subsidy applies to households that consumed between 125-150 kWh monthly on average in the first quarter of 2020.
- Subsidies have also been announced for the following: people who have been subject to a perfect suspension of labor (S/760.00), children who have become orphans as a result of the pandemic (S/200.00 monthly until they turn 18), policemen, military personnel, jail workers (S/720.00) and healthcare workers (S/720.00).
- Access to liquidity for families, including by allowing workers to request early withdrawals from their (i) Compensation for Length of Service (CTS for its acronym in Spanish) accounts in an amount of up to S/2,400.00 and (ii) and pension fund accounts in an amount of up to S/2,000.00. Ability to withdraw up to S/2,400.00 from the Compensation for Length of Service account will provide Peruvian households access to liquidity of approximately S/4,400 million. In addition, the withdrawal of up to S/2,000.00 of the funds available in an individual's Private Pension Funds account will benefit workers who have been unemployed for at least six months. This measure will benefit approximately

Debt

3.8 million Peruvians, of which it is estimated that approximately 1.4 million citizens will be able to withdraw 100% of their funds, equivalent to approximately S/4,500 million of available funds to households. There is currently legislation that has been approved by Congress that would allow individuals to withdraw of up to 25% of the amount in their Private Pension Fund account. For further details, see "Measures taken by Congress".

- Currently Congress is discussing a new Law that would allow people that have been unemployed for over 12 months to withdraw 100% of their private pension fund. Those who are recently unemployed would be able to withdraw up to S/4,300.00 from their private pension fund. However, as of August 20th, this Law has not been approved.
- Exemption for companies from the mandatory withholding of contributions to private pension funds for the month of April (representing 10% of a worker's compensation). This measure would inject S/1,100 million of liquidity into Peruvian households.

Measures to support companies

- Tax incentives to provide liquidity to micro and small companies, such as the early release of funds from committed lines of credit, tax payment deferrals or extensions until June 2020, and suspension of default interest payments.
- Public spending, including payroll subsidies and the creation of the Business Support Fund (FAE – MYPE).
- The Business Support Fund is directed at small and médium businesses that haven´t benefited from the Reactiva Perú program. There is a general Business Support Fund called FAE-MYPE and there are two specialized funds for tourism and agricultura (FAE-Turismo and FAE-Agrícola). These funds grant up to S/30,000.00 in financing to the beneficiaries.
- Creation of the Reactiva Perú Program pursuant to Legislative Decree No. 1455, under which the Government aims to promote commercial banks to make available new financings to companies and providing a Government guarantee for such, up to an aggregate principal amount of S/60,000 million, to provide working capital to such companies to support employment and ensure availability of funds and stability of payment systems within the Peruvian economy. This program has had two rounds of funding so far, called Reactiva-1 and Reactiva-2.

Debt

Measures taken by the Superintendency of Banks, Insurance and Pension Funds

- Authorizing financial institutions to adopt exceptional measures and make modifications to existing credit agreements or rescheduling of maturities so that debtors can meet payment obligations.
- Expansion of allowed monetary limits per se operation (wire transfers, conversion payments, among others) to be carried out through electronic money accounts.
- Procedures for managing extraordinary withdrawals from pension fund accounts set forth in the Supreme Decree No. 034-2020 (threshold of S/2,000).
- Promotion and facilitation for the use of Electronic Money as a way to achieve greater financial inclusión.

Finally, the current COVID-19 pandemic and its potential impact on the global economy may require the Peruvian Government to adopt additional changes in existing regulations or implement more stringent regulations, which may further adversely impact Peru's economy, the prices of and Peru's ability to make payments on its outstanding securities or other indebtedness.

Measures taken by the Central Bank

- Modifying the limit for swap and forward operations for the sale of foreign currency in exchange for local currency from U.S.$575 million per week to U.S.$675 million per week per financial institution, without requiring additional reserves, in order to support foreign exchange hedges.
- Reducing the reference interest rate by 200 basis points from 2.25% to 0.25%.
- Reducing the minimum legal reserve requirement in soles from 5% to 4%.
- Decreasing the minimum current account requirement in soles from 1.0% to 0.75% of the obligations subject to reserve requirements.
- Reducing the reserve requirement from 50% to 9% for obligations in foreign currency with average terms equal to or less than two years entered into with foreign financial entities.
- Suspending the additional reserve requirement associated with lines of credit in foreign currency for the remainder of 2020.
- Approving a new liquidity instrument to provide access to funds for financial entities, consisting of repurchase operations using Peruvian government guaranteed loans as collateral.

Restructuring & Insolvency

Special Treatment to Claims from the Reactiva Perú Program

Reactiva Perú Program: Businesses with certain risk ratings, without material tax debts (in the process of collection) and without any involvement whatsoever in judicial proceedings for corruption related crimes can obtain private banking loans of up to PEN 10 million, secured by the government (coverage between 80% and 98% depending on the amount of the loan), to address short-term payments and obligations with their employees and suppliers, as well as to pay financial obligations that have not yet expired. Even businesses that have sought to be part of PARC (a special bankruptcy proceeding) can apply to receive credit from the Reactiva Perú Program.

The claims of the borrower of a Reactiva Perú loan (or of the government, in case of foreclosure of the guarantee) cannot be refinanced under any kind of insolvency proceeding. In case of insolvency and foreclosure of the guarantee, the debt before the government would not be subject to collection restrictions during a liquidation process.

Temporary Proceeding for Obtaining Relief and Preventing Insolvency

The Peruvian Government implemented a new insolvency proceeding (Procedimiento Acelerado de Refinanciación Concursal - "PARC") for companies dealing with the economic consequences of the COVID-19 pandemic, to voluntarily seek for relief and prevent their insolvency by refinancing their debts. Debtor companies can file for this new regime only during 2020.

For being eligible to a PARC, companies' financial distress must be related with the COVID-19 pandemic, they must remain being categorized as "Normal" or "With Potential Problems" by the risk reporting central of the Financial System, and, even when they could be facing a situation of cessation of payments, they shall still have balance-sheet solvency (in the terms of the Bankruptcy Law).

This new regime is designed to grant the automatic stay in 10 business days after the filing, and to have the Creditors' Meeting in place for approving the refinancing in 65 business days. These terms are significantly shorter than those applicable to regular insolvency proceedings.

New Rules Regarding the Continuity of Debtors Subject to Insolvency Proceeding

In the same regulations that introduced the PARC, a permanent amendment to the general provisions of the Bankruptcy Law was approved. This amendment confirmed that the decision of the bankruptcy authority to accept an insolvency proceeding request -from the debtor or its creditors- (i) does not involve to stop debtor's businesses; and (ii) allows to continue performing those contracts under which the debtor has rights to goods or services.

Restructuring & Insolvency

New Rules Regarding the Continuity of Debtors Subject to Insolvency Proceeding

Those rules did not change the effects that the Bankruptcy Law already had, but the amendment also included certain clarifications that produced new effects: (a) debtors with a negative Net Worth (more liabilities than assets) must stop their regular businesses when the bankruptcy authority decides the commencement of a voluntary insolvency proceeding; and (b) contracts can expressly establish that the decision of the bankruptcy authority to commence an insolvency proceeding will have contractual effects.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

- The requirements for the deductibility of expenses due to the loss of inventories for Income Tax purposes has been simplified. In this sense, the deadline for the communication of destruction to SUNAT, as well as for the submission of the report that supports the destruction, have been modified.
- Tax loss carryforward period was extended for corporations. This exceptional extension will only apply to tax losses generated during fiscal year 2020 and to taxpayers that chose the tax loss carry forward system under which tax losses can be carried forward for 4 fiscal years (System A). With this new extension, taxpayers will be able to carry forward any tax losses for fiscal year 2020 for five fiscal years (i.e. until 2025).
- Since 2021, taxpayers may elect to apply the following accelerated depreciation rates for certain assets: 20% for buildings and other constructions that begin to depreciate in 2020, 50% for data processing equipment purchased in 2020 and 2021, 20% for machinery and equipment purchased in 2020 and 2021, 33.3% for land vehicles used in passenger transport purchased in 2020 and 2021, and 50% for hybrid or electric land transport vehicles (except rail) purchased in 2020 and 2021. With respect to hotels, travel agencies, restaurants and other tourism businesses, additional depreciation rules are applicable.

Taxation

Social security / Employment / Wage taxes / Personal Income Tax

N/A

VAT

The benefit of early recovery of VAT applicable to small size and mid-size companies has been extended until December 31, 2023 in order to promote the acquisition of capital goods (RERA MYPE). Likewise, its scope has been extended, provided that, exceptionally until December 31, 2021, VAT taxpayers: a) register as annual net income an amount greater than 300 Tax Units (approx. US$ 382,210) and up to 2,300 Tax Units (approx. US$ 2.76 million) and b) are under the Income Tax MYPE regime (small and med-size companies).

Excise / Import duties

N/A

Other taxes

- By means of Law No. 31104, since 1 January 2021, taxpayers are allowed to claim a refund of all ITAN for fiscal year 2020. The Peruvian Tax Authority has 30 working days to respond to the refund claim. If the Peruvian Tax Authority fails to answer in that period, the refund claim is automatically approved.
- Likewise, in response to COVID-19's effects on the tourism sector, Law 31103 created a new tax deferral and installment payment regime for tourist service providers. Under the regime, providers may defer tax debts and apply to pay those debts in installments.

Comments

- Reduction of interest tax rates:
  - For outstanding tax debts, the default interest rate is reduced to 1.0% per month for tax debts in Peruvian currency and to 0.5% per month for tax debts denominated in foreign currency; and,
  - For refunds of excess tax paid, the refund interest rate is reduced to 0.42% per month for refunds denominated in Peruvian currency and to 0.25% per month for refunds denominated in foreign currency.

New provisions have been established in order to facilitate the payment of tax debts and installment payment plans approved by the Peruvian Tax Authority, provided specific requirements and conditions are met.

The Peruvian Tax Authority has created a Virtual Reception Desk, in order to allow taxpayers to submit specific documents online.

Foreign Investment Restrictions

The US government has not announced policy changes as a result of the COVID 19 pandemic. Foreign investment reviews in the United States remain focused on "national security," though shortages in the pandemic may lead CFIUS to scrutinize foreign investments that might be viewed as impacting security of supply of essential medical products. More immediately, Work-From-Home policies have impeded the ability of CFIUS to process new cases. Cases that have previously been filed and accepted are proceeding, but CFIUS has delayed formally accepting new cases. It remains unclear when the CFIUS process will return to normal.

Debt

On 27 March 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to provide financial assistance to individuals and businesses impacted by the COVID-19 pandemic. Relatedly, the Federal Reserve and the US Department of the Treasury announced that they were setting up several loan programs and other measures to (i) provide credit to financial institutions and corporate borrowers and (ii) provide liquidity and promote market functioning.

Under the CARES Act

- USD 359 billion in federally backed loans is available to assist small businesses through the Small Business Administration ("SBA")
- USD 454 billion in loans is available to eligible businesses, states, and municipalities. "Eligible business" is defined to mean "(A) an air carrier; or (B) a United States business that has not otherwise received adequate economic relief in the form of loans or loan guarantees provided under" the CARES Act.
- Section 4003(b) of the CARES Act also provides liquidity in the form of loans and loan guarantees as follows:
  - USD 25 billion for passenger air carriers, eligible businesses that are certified under part 145, of title 14, Code of Federal Regulations, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents (Section 4003(b)(1));
  - USD 4 billion for cargo air carriers (Section 4003(b)(2)); and
  - USD 17 billion for businesses critical to maintaining national security (Section 4003(b)(3)).

Debt

Paycheck protection loans

The CARES Act expands the ability to obtain loans under Section 7(a) of the Small Business Act through a USD 659 billion Paycheck Protection Program. Under the program, small businesses are eligible for loans to cover payroll, salaries, commissions, health care costs, mortgages, rent and utility payments and interest on pre-existing debt obligations. Loans cannot exceed 2.5 times the average monthly payroll cost during the prior year to the loan date, are capped at USD 10 million and have a maximum annual interest rate of 4%. These loans do not require collateral, personal guarantees or any recourse to equity holders and are available through 30 June, 2020, to borrowers meeting program criteria. Loan fees are waived, as are the SBA's prior limitations on demonstrating funds are otherwise not available. The maximum loan term is ten years. A business is not eligible to receive these loans if it receives an SBA economic injury disaster loan for the same purpose.

Businesses with 500 or fewer employees that were operational on 15 February 2020, are eligible to participate in the program. Businesses with more than 500 employees in certain industries may also be eligible to participate under applicable SBA size standards.

The size standards are applied on an affiliate basis in accordance with existing SBA affiliation rules, except for hospitality and restaurant businesses, franchises and recipients of Small Business Investment Company investments. For these exempted businesses, the 500-employee size threshold is measured on a location-by-location basis.

The SBA's affiliation rules are complex and can be triggered in numerous situations not involving 50% or greater ownership.

There is a limit on PPP loans per corporate group of $20 million.

Payment Forgiveness

For an initial 24-week period after an SBA loan is made, the loan may be forgiven to the extent it is used to cover payroll costs, interest payments on mortgages (not including prepayments or principal), rent and utilities. Businesses must retain their employees and pay them at least 75% of their prior-year compensation in order for their loan forgiveness not to be subject to deductions.

The amount of a loan that may be forgiven is ratably reduced if the average number of full-time equivalent employees during the 24-week forgiveness period is less than the average number of employees during the period from 15 February 2019 through 30 June 2019 or 1 January 2020 through 29 February 2020. The small business borrower is able to choose which period to compare.

Debt

To encourage employers to rehire workers laid off due to the COVID-19 pandemic, employers that rehire previously laid off workers will not be penalized for having a reduced payroll at the beginning of the forgiveness period. If, during the period from 15 February 2020 through 26 April 2020, there is a reduction in the number of full-time equivalent employees or their compensation and the employer eliminates the reduction by 31 December 2020, the amount of loan forgiveness is determined without regard to the reduction.

To apply for SBA loan forgiveness, businesses must submit documentation regarding the eligible uses of loan funds, the amount to be forgiven and any other documentation deemed necessary by the SBA Administrator. The SBA will purchase any loan forgiveness amounts from its certified lenders, and this canceled indebtedness will not result in taxable income to the small business borrower.

Payment Deferral

For principal amounts that exist after any loan forgiveness, small businesses may defer payment of remaining principal, interest and fee balances for at least six months and up to one year.

Economic Injury Disaster Loans or EIDL Loans

In addition to the Paycheck Protection Program, the CARES Act also provides funding for up to USD 10 billion in economy injury disaster loans ("EIDL"). Such loans are designed to be quickly deployed with advances up to USD 10,000 distributed as soon as three days after application.

The SBA's website now shows a simplified EIDL application process with a reduced number of forms that initially need to be submitted (an application form) and a supporting information form.

CARES Act provisions dealing with financing programs to be provided by the Treasury Department and the Federal Reserve; Federal Reserve measures in response to Coronavirus Pandemic.

The Federal Reserve announced that it is taking extensive measures to support the US economy, including setting up extraordinary programs to provide credit to non-banks such as corporate borrowers. The Federal Reserve also announced measures to support liquidity and market functioning. Some of these measures revive programs put in place by the Federal Reserve in response to the 2008 financial crisis, while others are new programs.

Certain of the programs announced by the Federal Reserve are funded by appropriations made in, and subject to requirements imposed by, the CARES Act.

Debt

Section 4003(c)(1)(A) of the CARES Act provides that any loans under Section 4003 shall be at a rate determined by the Secretary of the Treasury "based on the risk and the current average yield on outstanding marketable obligations of the United States of comparable maturity."

Further, Section 4003(c)(3)(A)(ii) of the CARES Act requires that in connection with any direct loan under any program or facility pursuant to Section 4003(b)(4), the borrower must agree (a) for a period of 12 months from the date such loan is no longer outstanding, (i) not to buy back any equity securities of the borrower or any parent company that are listed on any national securities exchange (other than to the extent required under a contractual obligation in effect prior to the enactment of the CARES Act) or (ii) pay any dividend or make other capital distribution, and (b) comply with certain limitations regarding employee compensation set forth by the CARES Act in Section 4004 (essentially, total compensation to officers or employees exceeding USD 425,000 in 2019 is frozen and total compensation to officers or employees exceeding USD 3 million is limited to the sum of (i) USD 3 million and (ii) 50% of the excess over USD 3 million received by the officer or employee in 2019). These requirements may be waived by the Secretary of the Treasury only if such waiver is deemed necessary to protect the interests of the Federal Government.

Section 4003(c)(3)(C) requires that facilities and programs established under Section 4003(b)(4) may only purchase obligations or other interests (other than securities that are based on an index or that are based on a diversified pool of securities) from, or make loans or other advances to, businesses that are created or organized in the United States or under the laws of the United States and that have significant operations in, and a majority of its employees based in, the United States.

A. Federal Reserve programs

1. Primary Market Corporate Credit Facility

Under the PMCCF, the Federal Reserve Bank of New York ("FRBNY") will lend to a special purpose vehicle ("SPV") on a recourse basis. The SPV will (i) purchase qualifying bonds as the sole investor in a bond issuance; and (ii) purchase portions of syndicated loans or bonds at issuance. The FRBNY's loans will be secured by all the assets of the SPV. The Treasury Department will make an initial $75 billion equity investment in the SPV.

The SPV will leverage the Treasury equity at 10 to 1 when acquiring corporate bonds or syndicated loans from issuers that are investment grade at the time of purchase. The SPV will leverage the Treasury equity at 7 to 1 when acquiring any other type of eligible asset.

The combined size of the PMCCF and the SMCCF will be up to $750 billion.

Debt

a. Eligible assets.

   i. Eligible corporate bonds as sole investor. The SPV may purchase eligible corporate bonds as the sole investor in a bond issuance. Eligible corporate bonds must meet each of the following criteria at the time of purchase: (i) issued by an eligible issuer; and (ii) have a maturity of four years or less.

   ii. Eligible syndicated loans and bonds purchased at issuance. The SPV also may purchase portions of syndicated loans or bonds of eligible issuers at issuance. Eligible syndicated loans and bonds must meet each of the following criteria at the time of purchase: (i) issued by an eligible issuer; and (ii) have a maturity of four years or less. The SPV may purchase no more than 25% of any loan syndication or bond issuance.

b. Eligible issuers. In order to be an eligible issuer, an issuer must

   i. be a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.

   ii. have been rated at least BBB-/Baa3 as of March 22, 2020, by a major nationally recognized statistical rating organization ("NRSRO") and, if rated by multiple major NRSROs, such issuer must have been rated at least BBB-/Baa3 by two or more NRSROs as of March 22, 2020.

      1. An issuer that was rated at least BBB-/Baa3 as of March 22, 2020, but is subsequently downgraded, must be rated at least BB-/Ba3 as of the date on which the SPV makes a purchase. If rated by multiple major NRSROs, such issuer must be rated at least BB-/Ba3 by two or more NRSROs at the time the SPV makes a purchase.

      2. In every case, issuer ratings are subject to review by the Federal Reserve.

   iii. not be an insured depository institution, depository institution holding company or subsidiary of a depository institution holding company.

   iv. not receive direct financial assistance under the CARES Act (e.g., air carriers).

   v. satisfy the conflicts of interest requirements of Section 4019 of the CARES Act.

Debt

c. Maximum loan amount. The maximum amount to be extended to any issuer under the PMCCF will not exceed 130% of the maximum amount of outstanding bonds and loans of such issuer on any day between 22 March, 2019 and 22 March, 2020 (without giving effect to undrawn commitments). The maximum amount of instruments that SPV will purchase under the PMCCF and the SMCCF with respect to any eligible issuer is capped at 1.5% of the combined potential size of the PMCCF and the SMCCF.

d. Pricing.

   i. Eligible corporate bonds as sole investor: Pricing will be issuer-specific, informed by market conditions, plus a 100 bps facility fee. Pricing also will be subject to minimum and maximum spreads

   ii. over yields on comparable maturity US Treasury securities, and such spread caps and floors will vary

   iii. based on an eligible issuer's credit rating as of the date on which the PMCCF makes a purchase.

   iv. Eligible syndicated loans and bonds: The SPV will receive the same pricing as other syndicate members, plus a 100 bps facility fee on the SPV's share of the syndication.

e. Refinancing; new debt issuances. Issuers may approach the SPV to refinance outstanding debt, from the period of three months ahead of the maturity date of such outstanding debt. Issuers may additionally approach the SPV at any time to issue additional debt, provided their rating is reaffirmed at BB-/Ba3 or above with the additional debt by each major NRSRO with a rating of the issuer.

f. Ratings; NRSROs. The ratings criteria for the PMCCF refer to ratings provided by major NRSROs. Major NRSROs include Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings. Major NRSROs also include DBRS, Inc., Kroll Bond Rating Agency, Inc., and A.M. Best Rating Services, Inc. (A.M. Best Rating Services, Inc. only with respect to insurance companies) to the extent that the issuer also has a qualifying rating from Fitch Ratings, Inc., Moody's Investors Service, Inc., or S&P Global Ratings. In all cases, ratings from an NRSRO will not be accepted if the NRSRO did not rate the Eligible Issuer as of March 22, 2020.

The SPV will cease purchasing eligible assets under the PMCCF no later than 31 December 2020, unless such date is extended by the Federal Reserve Board and the Treasury Department.

Debt

2. Secondary Market Corporate Credit Facility

Under the SMCCF, the FRBNY will lend, on a recourse basis, to an SPV that will purchase in the secondary market corporate debt issued by eligible issuers. The SPV will purchase eligible corporate bonds as well as eligible corporate bond portfolios in the form of exchange-traded funds ("ETFs"); and eligible corporate bond portfolios that track a broad market index. The FRBNY's loans will be secured by all the assets of the SPV. The Treasury Department will make an initial $75 billion equity investment in the SPV.

The SPV will leverage the Treasury equity at 10 to 1 when acquiring corporate bonds that are investment grade at the time of purchase and when acquiring ETFs whose primary investment objective is exposure to US investment-grade corporate bonds. The SPV will leverage the Treasury equity at 7 to 1 when acquiring corporate bonds of issuers that are rated below investment grade at the time of purchase and in a range between 3 to 1 and 7 to 1, depending on risk, when acquiring any other type of eligible asset.

The combined size of the SMCCF and the PMCCF will be up to $750 billion.

a. Eligible assets.

i. Eligible individual corporate bonds. The SPV may purchase corporate bonds that, at the time of purchase: (A) were issued by an eligible issuer; (B) have a remaining maturity of five years or less; and (C) were sold to the SPV by an eligible seller.

ii. Eligible ETFs. The SPV also may purchase US-listed ETFs whose investment objective is to provide broad exposure to the market for US corporate bonds. The preponderance of the SPV's ETF holdings will be of ETFs whose primary investment objective is exposure to US investment-grade corporate bonds, and the remainder will be in ETFs whose primary investment objective is exposure to US high-yield corporate bonds.

iii. Eligible Broad Market Index Bonds. The SPV may purchase individual corporate bonds to create a corporate bond portfolio that is based on a broad, diversified market index of US corporate bonds. Eligible broad market index bonds are bonds that, at the time of purchase, (i) are issued by an issuer that is created or organized in the US or under the laws of the US; (ii) are issued by an issuer that meets the rating requirements for eligible individual corporate bonds; (iii) are issued by an issuer that is not an insured depository institution, depository institution holding company, or subsidiary of a depository institution holding company, as such terms are defined in the Dodd-Frank Act; and (iv) have a remaining maturity of 5 years or less.

Debt

b. Eligible issuers for individual corporate bonds. In order to be an eligible issuer of an eligible individual corporate bond, an issuer must

   i. be a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.

   ii. have been rated at least BBB-/Baa3 as of 22 March 2020, by a major NRSRO and, if rated by multiple major NRSROs, such issuer must have been rated at least BBB-/Baa3 by two or more NRSROs as of 22 March 2020.

      1. An issuer that was rated at least BBB-/Baa3 as of 22 March 2020, but was subsequently downgraded, must be rated at least BB-/Ba3 as of the date on which the SPV makes a purchase. If rated by multiple major NRSROs, such issuer must be rated at least BB-/Ba3 by two or more NRSROs at the time the SPV makes a purchase.

      2. In every case, issuer ratings are subject to review by the Federal Reserve.

   iii. not be an insured depository institution, depository institution holding company, or subsidiary of a depository holding company.

   iv. not receive specific support pursuant to the CARES Act or any subsequent federal legislation.

   v. satisfy the conflicts of interest requirements of Section 4019 of the CARES Act.

c. Eligible Seller. Each institution from which the SPV purchases securities must be a business that is created or organized in the United States or under the laws of the United States with significant US operations and a majority of US-based employees. The institution also must satisfy the conflicts of interest requirements of Section 4019 of the CARES Act.

d. Limits per Issuer/ETF. The maximum amount of instruments that the SPV will purchase under the SMCCF and the PMCCF combined will purchase with respect to any eligible issuer is capped at 1.5% of the combined potential size of the SMCCF and the PMCCF. The maximum amount of bonds of any eligible issuer that the SPV will purchase in the secondary market is also capped at 10% of the issuer's maximum bonds outstanding on any day between 22 March 2019 and 22 March 2020. The SPV will not purchase shares of a particular ETF if after such purchase the SPV would hold more than 20% of that ETF's outstanding shares.

Debt

e. Pricing. The SPV will purchase eligible individual bonds and eligible broad market index corporate bonds at fair market value in the secondary market. The SPV will avoid purchasing shares of eligible ETFs when they trade at prices that materially exceed the estimated net asset value of the underlying portfolio. The SPV will generally not purchase shares of an ETF that were determined to have closed at a premium above the lower of the following limits relative to the prior end-of-day official net asset value ("NAV"): (a) 1%, or (b) the mean premium observed over the prior 52 weeks, on a rolling basis, plus the 1-standard deviation of the premium for the same period. Additionally, on an intraday basis, the SMCCF will generally limit purchases of eligible ETFs that are trading at levels well above estimates of intraday net asset value ("iNAV") as measured during trading hours.

f. Ratings; NRSROs. The ratings criteria for the SMCCF refer to ratings provided by major NRSROs. Major NRSROs include Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings. Major NRSROs also include DBRS, Inc., Kroll Bond Rating Agency, Inc., and A.M. Best Rating Services, Inc. (A.M. Best Rating Services, Inc. only with respect to insurance companies) to the extent that the issuer also has a qualifying rating from Fitch Ratings, Inc. , Moody's Investors Service, Inc., or S&P Global Ratings. In all cases, ratings from an NRSRO will not be accepted if the NRSRO did not rate the Eligible Issuer as of March 22, 2020.

The SPV will cease purchasing eligible individual corporate bonds, eligible broad market index bonds and eligible ETFs under the SMCCF no later than 31 December 2020, unless such date is extended by the Federal Reserve Board and the Treasury Department.

3. Term Asset-Backed Securities Loan Facility

The Federal Reserve published an updated term sheet for the TALF, which the Federal Reserve had originally announced on 23 March 2020. The TALF is intended to facilitate the issuance by private entities of asset-backed securities ("ABS") backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration and certain other assets. The TALF is a revival of a loan facility put in place in response to the 2008 financial crisis.

Under the TALF, the FRBNY will lend to an SPV on a recourse basis. The Treasury Department will make an equity investment of $10 billion in the SPV.

The SPV will make up to $100 billion of loans available. The loans will have a term of three years, will be nonrecourse to the borrower (provided the TALF requirements are met) and will be fully secured by eligible ABS.

Debt

a. Eligible borrowers

All US companies that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF. To be eligible under the TALF, a borrower must have significant operations in and a majority of its employees based in the United States.

FAQs issued provide clarification that an Eligible Borrower may be an investment fund so long as the investment manager for such investment fund has significant operations in and a majority of its employees based in the United States. The FAQs provide a non-exhaustive definition and examples of what constitutes significant operations in the US.

If a borrower is not an investment fund, the borrower (on a consolidated basis, i.e., together with its consolidated subsidiaries but excluding any parent company or sister affiliate) must have significant operations in and a majority of its employees based in the US.

Borrowers under the TALF will be required to certify that they are unable to secure adequate credit accommodations from other banking institutions. In making this certification, a TALF participant may rely on unusual economic conditions in the ABS market or markets intended to be addressed by the TALF, such as ABS spreads that are elevated relative to normal market conditions. Credit may be available, but inadequate in its amount, price, or terms.

b. Eligible collateral

Eligible collateral includes U.S. dollar-denominated cash (that is, not synthetic) ABS that have a credit rating in the highest long-term or, if no long-term rating is available, the highest short-term investment-grade rating category from at least two eligible NRSROs) and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO.

With the exception of commercial mortgage-backed securities ("CMBS"), SBA Pool Certificates, and Development Company Participation Certificates, eligible ABS must be issued on or after March 23, 2020. CMBS issued on or after March 23, 2020, will not be eligible. SBA Pool Certificates or Development Company Participation Certificates must be issued on or after January 1, 2019

All or substantially all of the credit exposures underlying the eligible ABS must (1) for newly issued ABS, except for collateralized loan obligations (CLOs), be originated by US-organized entities (including US branches or agencies of foreign banks), (2) for CLOs, have a lead or a co-lead arranger that is a US-organized entity (including a U.S. branch or agency of a foreign bank), and (3) for all ABS (including CLOs and CMBS), be to US-domiciled obligors or with respect to real property located in the US or one of its territories.

Debt

Eligible collateral must be ABS where the underlying credit exposures are one of the following:

1. Auto loans and leases;
2. Student loans;
3. Credit card receivables (both consumer and corporate);
4. Equipment loans and leases;
5. Floorplan loans;
6. Premium finance loans for property and casualty insurance;
7. Certain small business loans that are guaranteed by the Small Business Administration;
8. Leveraged loans; or
9. Commercial mortgages.

Eligible collateral will not include ABS that bear interest payments that step up or step down to predetermined levels on specific dates. In addition, the underlying credit exposures of eligible collateral will not include exposures that are themselves cash ABS or synthetic ABS.

To be eligible collateral, all or substantially all of the underlying credit exposures must be newly issued, except for CMBS.

Only ABS tranches that are not junior to any other class of securities backed by the same pool of assets are eligible for TALF.

All eligible ABS must entitle their holders to payments of principal and interest (that is, must not be an interest-only or principal-only security).

Eligible ABS do not include ABS issued by or sponsored by (or, in the case of CLOs, with collateral managers which are) US entities that have received specific support pursuant to section 4003(b)(1)-(3) of the CARES Act.

The FRBNY will reject ABS that do not meet the collateral eligibility requirements.

The FRBNY, in its sole discretion, may also reject an ABS, for any reason, even if the ABS meets the collateral eligibility requirements. In making such determination, the FRBNY may consider, among others, the credit quality, transparency, and simplicity of structure.

Debt

Additionally, the FRBNY will not fund a TALF loan if, in its judgment, a potential borrower is motivated to request a TALF loan due to the direct or indirect economic interest of such borrower, or any of its affiliates, in the underlying loans or leases, or products or services relating to such loans or leases, in the pool underlying the ABS, and such economic interest would impact the incentive of such borrower to independently assess the risk of investment in such ABS.

The CLO manager can only sell assets that defaulted in interest and principal payments, but cannot sell credit risk assets.

The FAQs indicate that a certification will be required from the ABS issuer and sponsor of the transaction to the effect that (1) the ABS is eligible collateral and (2) there are no untrue statements or omission of material fact made in the offering document or in the information provided to the NRSROs. The "sponsor", which the FAQ explicitly defined as the collateral manager of the CLO, must indemnify the FRBNY for any losses it may suffer if such certifications are untrue.

The FAQs also indicate that an accounting firm retained by the CLO issuer must provide to the FRBNY either (1) an opinion on the assertion of management of the issuer and sponsor that the CLO securities are TALF eligible or (2) solely in the case of CLOs, a report on agreed upon procedures (AUP) with respect to factual matters related to various TALF eligibility requirements for leveraged loans.

The ratings criteria for the TALF refer to ratings provided by major NRSROs. Major NRSROs include Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings. Major NRSROs also include DBRS, Inc. and Kroll Bond Rating Agency, Inc. to the extent that the collateral also has a qualifying rating from Fitch Ratings, Inc. , Moody's Investors Service, Inc., or S&P Global Ratings.

The Federal Reserve will consider the feasibility of adding other asset classes to the TALF or expanding the scope of existing asset classes in the future.

4. Main Street Business Lending Program

The Federal Reserve released three term sheets for the Main Street lending program, one for a New Loan Facility, one for an Expanded Loan Facility and one for a Priority Loan Facility.

The Federal Reserve also provided a set of frequently asked questions ("FAQs") dated 8 June 2020 covering all three loan facilities.

Debt

All three facilities are being provided under Section 13(3) of the Federal Reserve Act. Each facility is structured so that the Federal Reserve Bank of Boston will lend to a single special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase a 95% participation in eligible loans from eligible lenders. The Treasury Department, using funds appropriated to the Exchange Stabilization Fund under Section 4027 of the CARES Act, will make a $75 billion equity investment in the SPV, which will then be leveraged such that the combined size of the Main Street facilities will be up to $600 billion.

The New Loan Facility applies to secured or unsecured term loans made by eligible lenders to eligible borrowers after April 24, 2020. The Expanded Loan Facility applies to upsizes of existing term loan facilities or revolving credit facilities originally made by eligible lenders to eligible borrowers on or before April 24, 2020. The Priority Loan Facility applies to secured or unsecured term loans made by eligible lenders to eligible borrowers after April 24, 2020, and differs from the New Loan Facility in that borrowers may have more leverage than under the New Loan Facility.

Terms common to all three Main Street facilities.

a. How to apply for a Main Street loan. Item F.1 of the FAQs states that, in order to apply for a loan under one of the Main Street programs, an Eligible Borrower must submit to an Eligible Lender an application and any other documentation required by the lender. The Federal Reserve recommended that any company interested in obtaining a Main Street loan should contact an Eligible Lender for more information on whether the Eligible Lender plans to participate in the program and to request more information on the application process. Updates regarding the Main Street program, including the official launch date and the time and date at which the SPV will begin purchasing participations, will be made available on the Federal Reserve's Main Street webpage.

b. Eligible Lenders. A US federally insured depository institution (including a bank, savings association, or credit union), a US branch or agency of a foreign bank, a US bank holding company, a US savings and loan holding company, a US intermediate holding company of a foreign banking organization, or a US subsidiary of any of the foregoing.

   Nonbank financial institutions are not Eligible Lenders. Item I.1 of the FAQs indicates that the Federal Reserve is considering options to expand the list of Eligible Lenders in the future.

c. Eligible Borrowers. A Business (defined to mean "an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business concern as defined in 15 USC § 657a(b)(2)(C), except that 'small business concern' in that paragraph should be replaced with 'Business' as defined herein") that:

Debt

1. was established prior to March 13, 2020;
2. is not an Ineligible Business (defined to mean "a type of business listed in 13 CFR §120.110(b)-(j) and (m)-(s), as modified by regulations implementing the Paycheck Protection Program established by section 1102 of the CARES Act ("PPP") on or before April 24, 2020.");
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;
4. was created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States;
5. does not also participate in the Primary Market Corporate Credit Facility (and a borrower is limited to participating in only one of the three Main Street loan facilities); and
6. has not received specific support pursuant to the CARES Act.

The FAQs further indicate that an Eligible Borrower must have been in sound financial condition prior to the onset of the COVID-19 pandemic. Under Section 13(3) of the Federal Reserve Act, a borrower cannot be insolvent.

For purposes of calculating the number of employees that a borrower has, Item E.3 of the FAQs states that borrowers should follow the framework set out in the SBA's regulation at 13 CFR §121.106. Such regulation provides that borrowers should count as employees all full-time, part-time, seasonal, or otherwise employed persons, excluding volunteers and independent contractors. A borrower should count its own employees and those employed by its affiliates. In order to determine the applicable number of employees, a borrower should use the average of the total number of persons employed by the borrower and its affiliates for each pay period over the 12 months prior to the origination or upsizing of a Main Street loan.

For purposes of calculating a borrower's 2019 annual revenues, Item E.4 of the FAQs states that a borrower must aggregate its revenues with those of its affiliates. Borrowers are permitted to use either of the following methods to calculate 2019 annual revenues for purposes of determining eligibility: (1) a borrower may use its (and its affiliates') annual "revenue" per its 2019 GAAP audited financial statements; or (2) a borrower may use its (and its affiliates') annual receipts for the fiscal year 2019, as reported to the IRS. If a potential borrower (or any affiliate) does not yet have audited financial statements or annual receipts for 2019, the borrower (or such affiliate) should use its most recent audited financial statements or annual receipts.

Debt

Item E.5 of the FAQs states that the SBA affiliation test set forth in 13 CFR §121.301(f) will be used to determine eligibility with respect to the number of employees and 2019 revenues.

Nonprofit businesses are ineligible to participate in the Main Street programs.

d. Assessment of Financial Condition. Eligible Lenders must conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application.

Item F.3 of the FAQs states that Eligible Lenders are expected to apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower, and that an Eligible Lender may require additional information and documentation in making this evaluation and will ultimately determine whether an Eligible Borrower is approved for a Main Street loan in light of these considerations.

e. Retaining Employees. Each Eligible Borrower that participates in any Main Street facility must make commercially reasonable efforts to maintain its payroll and retain its employees during the time the loan is outstanding.

f. Termination. The SPV will cease purchasing participations in Eligible Loans no later than 31 December 2020, unless the Federal Reserve Board and the Treasury Department extend the facilities. The Federal Reserve will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Eligible Loans	Secured or unsecured term loan originated after April 24, 2020 with all of the following: 1. maturity: 5 years; 2. principal and interest payments: interest deferred for one year (unpaid interest will be capitalized) and principal payments deferred for two years; 3. interest rate: LIBOR (1 or 3 months) + 300 basis points; 4. principal amortization: 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year; 5. minimum loan size: $100,000;	Secured or unsecured term loan or revolving credit facility originated on or before April 24, 2020, and that has a remaining maturity of at least 18 months (taking into account any adjustments made to the maturity of the loan after April 24, 2020, including at the time of upsizing), provided that the upsized tranche of the loan is a term loan that has all of the following features: 1. maturity: same as New Loan; 2. principal and interest payments: same as New Loan; 3. interest rate: same as New Loan; 4. principal amortization: same as New Loan; 5. minimum loan size: $10 million;	Secured or unsecured term loan originated after April 24, 2020 with all of the following: 1. maturity: same as New Loan; 2. principal and interest payments: same as New Loan; 3. interest rate: same as New Loan; 4. principal amortization: same as New Loan; 5. minimum loan size: $100,000; 6. maximum loan size: the lesser of (i) $50 million or (ii) an amount that, when added to the borrower's existing outstanding and undrawn available debt, does not exceed six times the borrower's adjusted 2019 EBITDA;

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Eligible Loans	6. maximum loan size: the lesser of (i) $35 million or (ii) an amount that, when added to the borrower's existing outstanding and undrawn available debt, does not exceed four times the borrower's adjusted 2019 EBITDA; 7. ranking: the loan is not, at the time of origination or at any time during the term of the loan, contractually subordinated in terms of priority to any of the borrower's other loans or debt instruments; and 8. prepayment: permitted without penalty.	6. maximum loan size: the lesser of (i) $300 million or (ii) an amount that, when added to the borrower's existing outstanding and undrawn available debt, does not exceed six times the borrower's adjusted 2019 EBITDA; 7. ranking: at the time of upsizing and at all times the upsized tranche is outstanding, the upsized tranche is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt; and 8. prepayment: permitted without penalty.	7. ranking: at the time of origination and at all times the loan is outstanding, the loan is senior to or pari passu with, in terms of priority and security, the borrower's other loans or debt instruments, other than mortgage debt; and 8. prepayment: permitted without penalty.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Loan Classification	If the borrower had other loans outstanding with the lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the FFIEC's supervisory rating system on that date.	The loan must have had an internal risk rating equivalent to a "pass" in the FFIEC's supervisory rating system as of December 31, 2019.	If the borrower had other loans outstanding with the lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the FFIEC's supervisory rating system on that date.
Loan Participations	The SPV will purchase at par value a 95% participation in the loan. The Eligible Lender must retain its 5% of the loan until it matures or the SPV sells all of its participation, whichever comes first. The sale of the participation to the SPV will be structured as a "true sale."	The SPV will purchase at par value a 95% participation in the upsized term loan tranche of the loan, provided that it is upsized after April 24, 2020. The Eligible Lender must be one of the lenders that holds an interest in the underlying loan at the date of upsizing. The Eligible Lender must retain its 5% portion of the upsized tranche of the loan until the upsized tranche of the loan matures or the SPV sells all of its 95% participation, whichever comes first.	The SPV will purchase at par value a 95% participation in the loan. The Eligible Lender must retain its 5% of the loan until it matures or the SPV sells all of its participation, whichever comes first. The sale of the participation to the SPV will be structured as a "true sale."

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Loan Participations		The Eligible Lender must also retain its interest in the underlying loan until the underlying loan matures, the upsized tranche of the loan matures, or the SPV sells all of its 95% participation, whichever comes first. Any collateral securing the loan (at the time of upsizing or on any subsequent date) must secure the upsized tranche on a pro-rata basis. The sale of the participation to the SPV will be structured as a "true sale."	
Required Lender Certifications and Covenants	Eligible Lender must ▪ commit that it will not request that the borrower repay debt extended by the lender to the borrower, or pay interest on such outstanding obligations, until the New Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.	Eligible Lender must ▪ commit that it will not request that the borrower repay debt extended by the lender to the borrower, or pay interest on such outstanding obligations, until the upsized tranche is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.	Eligible Lender must ▪ commit that it will not request that the borrower repay debt extended by the lender to the borrower, or pay interest on such outstanding obligations, until the Priority Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Required Lender Certifications and Covenants	▪ commit that it will not cancel or reduce any existing committed lines of credit to the borrower, except in an event of default. ▪ certify that the methodology used for calculating the borrower's adjusted 2019 EBITDA for the leverage requirement in the Eligible Loan definition is the methodology it has previously used for adjusting EBITDA when extending credit to the borrower or similarly situated borrowers on or before April 24, 2020. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act	▪ commit that it will not cancel or reduce any existing committed lines of credit to the borrower, except in an event of default. ▪ certify that the methodology used for calculating the borrower's adjusted 2019 EBITDA for the leverage requirement in the Eligible Loan definition is the methodology it used for adjusting EBITDA when originating or amending the underlying loan on or before April 24, 2020. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.	▪ commit that it will not cancel or reduce any existing committed lines of credit to the borrower, except in an event of default. ▪ certify that the methodology used for calculating the borrower's adjusted 2019 EBITDA for the leverage requirement in the Eligible Loan definition is the methodology it has previously used for adjusting EBITDA when extending credit to the borrower or similarly situated borrowers on or before April 24, 2020. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Required Borrower Certifications and Covenants	The Eligible Borrower must: ▪ commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the New Loan is repaid in full, unless the debt or interest payment is mandatory and due. ▪ commit that it will not seek to cancel or reduce any of its committed lines of credit with the lender or any other lender. ▪ certify that it has a reasonable basis to believe that, as of the date of origination of the loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that period.	The Eligible Borrower must: ▪ commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the upsized tranche of the loan is repaid in full, unless the debt or interest payment is mandatory and due. ▪ commit that it will not seek to cancel or reduce any of its committed lines of credit with the lender or any other lender. ▪ certify that it has a reasonable basis to believe that, as of the date of upsizing of the loan and after giving effect to such upsizing, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that period.	The Eligible Borrower must: ▪ commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Priority Loan is repaid in full, unless the debt or interest payment is mandatory and due. However, the borrower may, at the time of origination of the Priority Loan, refinance existing debt owed by the borrower to another lender; ▪ commit that it will not seek to cancel or reduce any of its committed lines of credit with the lender or any other lender. ▪ certify that it has a reasonable basis to believe that, as of the date of origination of the loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that period.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Required Borrower Certifications and Covenants	▪ commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, 14 except that an S corporation or other tax pass-through entity may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.	▪ commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other tax pass-through entity may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.	▪ commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other tax pass-through entity may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings. ▪ certify that it is eligible to participate in the facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Debt

Comparison of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

The table below compares the terms of the New Loan Facility, the Expanded Loan Facility and the Priority Loan Facility

	Main Street New Loan Facility	Main Street Expanded Loan Facility	Main Street Priority Loan Facility
Transaction Fee	The lender must pay the SPV a transaction fee of 100 basis points of the principal amount of the loan at the time of origination. The lender may require the borrower to pay this fee.	The lender must pay the SPV a transaction fee of 75 basis points of the principal amount of the upsized tranche of the loan at the time of upsizing. The lender may require the borrower to pay this fee.	The lender must pay the SPV a transaction fee of 100 basis points of the principal amount of the loan at the time of origination. The lender may require the borrower to pay this fee.
Loan Origination and Servicing Fees	The borrower must pay the lender an origination fee of up to 100 basis points of the principal amount of the loan at the time of origination. The SPV will pay the lender 25 basis points of the principal amount of its participation in the loan per annum for loan servicing.	The borrower must pay the lender an origination fee of up to 75 basis points of the principal amount of the upsized tranche of the loan at the time of upsizing. The SPV will pay the lender 25 basis points of the principal amount of its participation in the upsized tranche of the loan per annum for loan servicing.	The borrower must pay the lender an origination fee of up to 100 basis points of the principal amount of the loan at the time of origination. The SPV will pay the lender 25 basis points of the principal amount of its participation in the loan per annum for loan servicing.

Debt

Section 4003(c)(3)(D) of the CARES Act directs the Secretary of the Treasury to implement a program or facility to provide financing to banks and other lenders to make direct loans to eligible businesses including, to the extent practicable, nonprofit organizations, with between 500 and 10,000 employees. The annualized interest rate applicable to the Treasury program is not to exceed 2% per annum. No principal or interest will be payable for the first 6 months.

The CARES Act requires that the Treasury financing program for mid-sized businesses must contain many significant restrictions that are not set forth in the term sheets for the Federal Reserve's Main Street lending program. The restrictions required by the CARES Act for the Treasury program include detailed requirements as to workforce retention and payment of benefits, restrictions on outsourcing and offshoring jobs, a prohibition on abrogating existing collective bargaining agreements and a commitment to remain neutral in any union organizing effort. In certain cases, these restrictions would apply for a period of time after the loan is repaid.

These details of the relationship between the Treasury financing program for mid-sized businesses and the Federal Reserve's Main Street lending program are not yet clear. Section 4003(c)(3)(D)(ii) of the CARES Act permits the Federal Reserve in its "discretion" to establish a Main Street lending program or other similar program or facility that supports lending to small and mid-sized businesses "on such terms and conditions as the Board may set consistent with section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)), including any such program in which the Secretary makes a loan, loan guarantee, or other investment under [Section 4003(b)(4)]."[4] Such language states that the Federal Reserve's discretion to set up such programs is not limited by the requirements of Section 4003(c)(3)(D).

5. Municipal Liquidity Facility

The Federal Reserve released a term sheet for the Municipal Liquidity Facility ("MLF"). The MLF is intended to support lending to US states and the District of Columbia ("States"), each US city (i) with a population exceeding 250,000 residents or (ii) that is a Designated City ("Cities"), each US county (i) with a population exceeding 500,000 residents or (ii) that is a Designated County ("Counties"), entities created by a compact between two or more States, which compact has been approved by the United States Congress, acting pursuant to its power under the Compact Clause of the United States Constitution (Multi-State Entities) and Designated RBIs (see below).

Under the MLF, the Federal Reserve Bank of New York will lend to an SPV on a recourse basis. The SPV will purchase up to $500 billion in eligible notes directly from eligible issuers. The Federal Reserve Bank will be secured by all the assets of the SPV. The Treasury Department, using funds appropriated to the Exchange Stabilization Fund under Section 4027 of the CARES Act, will make a $35 billion equity investment in the SPV.

Debt

In addition to the MLF, the Federal Reserve stated that it would continue to closely monitor conditions in the primary and secondary markets for municipal securities and would evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments.

a. Eligible issuers

The MLF is intended for the purchase of notes from "eligible issuers", which is defined as a State, City, or County (or, subject to Federal Reserve review and approval, an entity that issues securities on behalf of the State, City, or County for the purpose of managing its cash flows) or a Multi-State Entity. An Eligible Issuer that is not a Multi-State Entity or Designated RBI must have been rated at least BBB-/Baa3 as of April 8, 2020, by two or more major NRSROs. An Eligible Issuer that is not a Multi-State Entity or Designated RBI and that was rated at least BBB- /Baa3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BB-/Ba3 by two or more major NRSROs at the time the Facility makes a purchase. An Eligible Issuer that is a Multi-State Entity or Designated RBI must have been rated at least A-/A3 as of April 8, 2020, by two or more major NRSROs. A Multi-State Entity or Designated RBI that was rated at least A-/A3 as of April 8, 2020, but is subsequently downgraded, must be rated at least BBB- /Baa3 by two or more major NRSROs at the time the MLF makes a purchase. Notwithstanding the foregoing, if a State, City, County, Multi-State Entity or Designated RBI was rated by only one major NRSRO as of April 8, 2020, it may be an Eligible Issuer under the Facility if (i) the rating was at least BBB-/Baa3 (for a State, City, or County) or A-/A3 (for a Multi-State Entity or Designated RBI); (ii) the State, City, County, Multi-State Entity or Designated RBI is rated by at least two major NRSROs at the time the Facility makes a purchase; and (iii) such ratings are at least BB-/Ba3 (for a State, City, or County) or BBB-/Baa3 (for a Multi-State Entity or Designated RBI).

Only one issuer per State, City, County, Multi-State Entity or Designated RBI is eligible; provided that the Federal Reserve may approve one or more additional issuers per State, City, or County to facilitate the provision of assistance to political subdivisions and other governmental entities of the relevant State, City, or County.

Additionally, the Governors of U.S. states may designate cities, counties, and Revenue Bond Issuers located in their states for participation in the Facility, and the Mayor of the District of Columbia may designate a Revenue Bond Issuer located in the District of Columbia for participation in the Facility, in each case subject to the limits described below. Any such designated cities will be "Designated Cities," designated counties will be "Designated Counties" and designated Revenue Bond Issuers will be "Designated RBIs."

A Revenue Bond Issuer is a State or political subdivision thereof, or a public authority, agency, or instrumentality of a State or political subdivision thereof, that issues bonds that are secured by revenue from a specified source that is owned by a governmental entity.

Debt

All U.S. states will be able to have at least two cities or counties eligible to directly issue notes to the MLF regardless of population. Governors of each state will also be able to designate two issuers in their jurisdictions whose revenues are generally derived from operating government activities (such as public transit, airports, toll facilities, and utilities) to be eligible to directly use the facility.

b. Eligible notes

"Eligible notes" refer to tax anticipation notes, tax and revenue anticipation notes, bond anticipation notes, revenue anticipation notes and other similar short-term notes issued by eligible issuers, provided that such notes mature no later than 36 months from the date of issuance. The eligibility of the notes is subject to review by the Federal Reserve.

The maturity of the notes must be no later than 36 months from the date of issuance. The notes are prepayable by the eligible issuer at any time at par.

c. Security for Eligible Notes

Note security will be subject to review and approval by the Federal Reserve. The source of repayment and security for Eligible Notes will depend on the applicable constitutional and statutory provisions governing the Eligible Issuer and should be generally consistent with the source of repayment and strongest security typically pledged to repay publicly offered obligations of the Eligible Issuer. Eligible Notes issued by Eligible Issuers that are not Multi-State Entities or Designated RBIs will generally be expected to represent general obligations of the Eligible Issuer, or be backed by tax or other specified governmental revenues of the applicable State, City, or County. If the Eligible Issuer is an authority, agency, or other entity of a State, City, or County, such Eligible Issuer must either commit the credit of, or pledge revenues of, the State, City, or County, or the State, City, or County must guarantee the Eligible Notes issued by such issuer. If the Eligible Issuer is a Multi-State Entity or Designated RBI, the Eligible Notes will be expected to be parity obligations of existing debt secured by a senior lien on the gross or net revenues of the Multi-State Entity or Designated RBI.

d. Limit per State, City, County, Multi-State Entity, and Designated RBI

The SPV may purchase Eligible Notes issued by or on behalf of a State, City, or County in one or more issuances of up to an aggregate amount of 20% of the general revenue from own sources and utility revenue of the applicable State, City, or County government for fiscal year 2017. The SPV may purchase Eligible Notes issued by a Multi-State Entity or Designated RBI in one or more issuances of up to an aggregate amount of 20% of the gross revenue of the Multi-State Entity or Designated RBI, as reported in its audited financial statements for fiscal year 2019. States may request that the SPV purchase Eligible Notes in excess of the applicable limit in order to assist political subdivisions and other governmental entities that are not eligible for the MLF.

Debt

e. Pricing and fees

The methodology for pricing is set forth in an appendix to the latest facility term sheet. The notes will be subject to an origination fee equal to 10 basis points of the principal amount of the eligible issuer's notes purchased by the SPV. Origination fees may be paid from the proceeds of the issuance.

f. Prepayment right

With the approval of the SPV, Eligible Notes purchased by the SPV may be prepaid by the Eligible Issuer at any time, in whole or in part, at par (or, in the case of Eligible Notes purchased at a premium, par plus unamortized premium) plus accrued interest, prior to maturity.

g. Eligible use of proceeds

An Eligible Issuer may use the proceeds of Eligible Notes purchased by the SPV to help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; deferrals or reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19 pandemic; and requirements for the payment of principal and interest on obligations of the Eligible Issuer or its political subdivisions or other governmental entities. An Eligible Issuer (other than a Multi-State Entity or Designated RBI) may use the proceeds of the notes purchased by the SPV to purchase similar notes issued by, or otherwise to assist, political subdivisions and other governmental entities of the relevant State, City, or County for the purposes enumerated in the prior sentence.

h. Termination

The SPV will cease purchasing eligible notes on 31 December 2020 (subject to any extensions by the Federal Reserve or the Treasury Department). The Federal Reserve will continue to fund the SPV after 31 December 2020 until all of the underlying assets of the SPV mature or are sold.

6. Other actions

The Federal Reserve has taken other steps to increase liquidity and address market dislocations that have resulted from the pandemic. The Fed reduced the target range for the federal funds rate to 0% to 0.25%. It reduced reserve requirements for banks to zero and has encouraged banks to borrow from its discount window to meet their liquidity needs.

The Federal Reserve has also revived two other programs that were put in place in response to the 2008 financial crisis (i) a commercial paper funding facility, and (ii) a primary dealer credit facility, which is analogous to a discount window for primary dealers.

Debt

In addition, the Federal Reserve will provide a Money Market Mutual Fund Liquidity Facility (MMLF), which is similar to a liquidity facility that was created in response to the 2008 financial crisis (the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility).

The MMLF will make loans to financial institutions to purchase assets that money market funds are selling to meet redemption requests.

The Fed has also announced increased purchases of Treasury securities and agency MBS, and the provision of term repos.

7. Emergency actions under Section 13(3) of the Federal Reserve Act

The PMCCF, the SMCCF, the TALF, the Main Street program, the MLF, the commercial paper funding facility, the primary dealer credit facility and the MMLF are being provided under Section 13(3) of the Federal Reserve Act. That section allows Federal Reserve banks expanded lending and discounting powers to non-banks if authorized by the Board of Governors of the Federal Reserve and the US Treasury Department during "unusual and exigent circumstances."

Section 13(3) sets forth several requirements for financing programs undertaken thereunder. Among other things, the borrower cannot be insolvent, the program must have "broad-based eligibility," the Fed must have evidence that each "participant in any program or facility with broad-based eligibility is unable to secure adequate credit accommodations from other banking institutions," and that the Fed must ensure that "the security for emergency loans is sufficient to protect taxpayers from losses."

Section 13(3)(C) of the Federal Reserve Act provides that the Federal Reserve is to provide certain information to Congress relating to credit extended under Section 13(3) on a periodic basis. This information includes borrower identities and the material terms of the assistance provided to each borrower.

B. Treasury program

Assistance for mid-sized business under the CARES Act (Section 4003(c)(D)) .

Section 4003(c)(D) of the CARES Act directs the Secretary of the Treasury to implement a program or facility to provide financing to banks and other lenders to make direct loans to eligible businesses including, to the extent practicable, nonprofit organizations, with between 500 and 10,000 employees. Any direct loans to such businesses would be subject to a 2% interest rate per year and would have no payable principal or interest for the first 6 months (or such longer period as the Secretary determines).

Debt

Eligible borrowers will need to make a good-faith certification that:

- the uncertainty of economic conditions as of the date of the application makes necessary the loan request to support ongoing operations of the borrower;
- the funds will be used to retain at least 90% of the workforce (including full compensation and benefits until 30 September 2020);
- the borrower intends to restore not less than 90% of the workforce as of 1 February 2020 and to restore all applicable compensation and benefits within 4 months after the termination date of the public health emergency declared by the Secretary of Health and Human Services on 31 January 2020 related to COVID-19;
- the borrower is an entity or business that is domiciled in the United States with significant operations and employees located in the United States;
- the borrower is not a debtor in bankruptcy proceeding;
- the borrower is created or organized in the US (or under the laws of the US) and has significant operations in and a majority of its employees based in the US;
- the borrower will not pay dividends with respect to its common stock, or repurchase an equity security that is listed on a national securities exchange of the borrower or any parent company while the direct loan is outstanding, except to the extent required under a contractual obligation that is in effect as of the date of enactment of the CARES Act;
- the borrower will not outsource or offshore jobs for the term of the loan and 2 years after completing repayment of the loan;
- the borrower will not abrogate existing collective bargaining agreements for the term of the loan and 2 years after completing the repayment of the loan; and
- the borrower will remain neutral in any union organizing effort for the term of the loan.

The provisions under the CARES Act aimed at providing assistance to mid-sized businesses do not limit the ability of the Federal Reserve to establish a Main Street Lending Program or other similar program or facility that supports lending to small and mid-sized businesses.

Debt

Aviation

The CARES Act provides for a total of USD 46 billion in loans and loan guarantees for passenger air carriers, ticket agents, MROs, cargo air carriers, and "businesses critical to maintaining national security."

On Monday, 30 March 2020, the U.S. Treasury Department released preliminary Procedures and Minimum Requirements for the loans ("Procedures and Requirements") and Guidelines and Application Procedures for the grants.

The CARES Act appropriates the following for loans to be made by the US Treasury:

- Up to USD 25 billion for "passenger air carriers" (defined in the Treasury guidance as an air carrier that, from 1 April 2019 to 30 September 2019, derived more than 50% of its air transportation revenue from the transportation of passengers), ticket agents, and MROs;
- Up to USD 4 billion for "cargo air carriers" (defined in the Treasury guidance as an air carrier that, from 1 April 2019 to 30 September 2019, derived more than 50% of its air transportation revenue from the transportation of property or mail, or both); and
- Up to USD 17 billion for "businesses critical to maintaining national security."

The CARES Act also provides for USD 32 billion in direct grants available for passenger air carriers, cargo air carriers, and contractors, to be used exclusively for employee wages, salaries and benefits, as follows:

- Up to USD 25 billion for passenger air carriers;
- Up to USD 4 billion for cargo air carriers; and
- Up to USD 3 billion for contractors (or subcontractors) performing services under contract with a U.S. passenger air carrier operating under 14 C.F.R. Part 121 (including, but not limited to, cargo services providers, contractors providing services to passengers with disabilities, security companies, caterers, ticketing/check-in agents, ground handlers, and cleaning services).

Additionally, airports are eligible for up to USD 10 billion in grants to "prevent, prepare for, and respond to coronavirus." The CARES Act also suspends aviation excise taxes through the end of 2020, including taxes and fees on airline passenger tickets, cargo, and aviation jet fuel. Only U.S. companies are eligible to receive loans and grants.

Debt

While the CARES Act generally provides the aviation sector with the financial support it had publicly requested in recent days and weeks, the CARES Act establishes a number of conditions and oversight mechanisms to provide for transparency and accountability in how the grants and loans will be used.

Loans, Grants and Related Provisions

Loans

As directed under the CARES Act, the Treasury Department published preliminary Procedures and Requirements for the loans on 30 March 2020. These will be supplemented with additional terms and an application form, and may be revised, modified, or waived by the Treasury Department.

As part of the loan application process, borrowers must provide certain financial, employment and operational information, as detailed in the Procedures and Requirements, and are encouraged to begin compiling this initial list of information to expedite loan applications. There is no deadline within the Act for when loan funds must be disbursed.

As restated in the Procedures and Requirements, the CARES Act enumerates a number of terms and conditions applicable to the loans, including:

- Loan interest rates, "to the extent practicable," will not be less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19;
- The duration of the loan must be as short as practicable and in any case not longer than five years;
- Indebtedness may not be reduced through loan forgiveness;
- Through 30 September 2020, borrowers must maintain employment levels as of 24 March 2020, "to the extent practicable," but in any case may not reduce employment by more than 10% from the levels on that date;
- Borrowers may not pay dividends until one year after the loan or loan guarantee is no longer outstanding;
- Borrowers or any affiliates may not buy back stock (unless required under pre-existing contractual obligations) until one year after the loan or loan guarantee is no longer outstanding. The Secretary is authorized to waive this requirement if necessary to protect the interests of the Federal Government, but to do so the Secretary would have to testify before the Senate Banking Committee and the House Financial Services Committee to explain the reasons for the waiver;
- Companies seeking loans must be: 1) created or organized in the U.S.; and 2) have significant operations and a majority of employees in the U.S.;

Debt

- Limits on compensation for certain employees and officers beginning the date on which the agreement is executed and ending one year after the date on which the loan or loan guarantee is no longer outstanding; and
- The U.S. Secretary of Transportation may require, to the extent reasonable and practicable, that carriers accepting loans maintain air service to any point served before 1 March 2020 through 1 March 2022 at the latest, with special consideration given to small communities and to the maintenance of health care and pharmaceutical supply chains.

The CARES Act also contains the following oversight mechanisms:

- The Act creates a Special Inspector General For Pandemic Recovery ("Special Inspector General") within the Department of the Treasury, who will be appointed by the President with the advice and consent of the Senate. The Special Inspector General is charged with overseeing and auditing the making, purchasing, management, and sale of loans, loan guarantees, and other investments made by the Treasury Secretary under the Act and must submit detailed reports to "the appropriate committees of Congress;" and
- The Act creates a bipartisan, five-member Congressional Oversight Commission that is charged with overseeing the implementation of the law, must release reports every thirty days, and is empowered to hold hearings, take testimony and receive evidence.

Grants

The CARES Act provides USD 32 billion in grants for air carriers and eligible contractors/subcontractors, which must be used exclusively for employee wages, salaries, and benefits -- USD 25 billion is allocated for passenger air carriers, USD 4 billion is allocated for cargo air carriers, and USD 3 billion is allocated for contractors/subcontractors.

On 30 March 2020, the Treasury Department also released guidance for grant applicants. Air carriers and contractors are instructed to file by 5:00 p.m. EDT on 3 April 2020. Among other terms and conditions detailed in the guidance, applicants must identify the total amounts they paid to employees in (a) wages and salaries, (b) benefits, and (c) other compensation, in each month between April 2019 and September 2019. Applications received after 3 April 2020 will be considered but may take longer to process. Applications received after 27 April 2020 may not be considered. Under the Act, initial payments to applicants must be made no later than 6 April 2020.

The CARES Act enumerates the following conditions for grants:

- Each carrier or contractor is entitled to grant assistance in an amount equal to the salaries and benefits of its employees between 1 April 2019 and 30 September 2019;

Debt

- Grant recipients must agree not to conduct involuntary furloughs or reduce pay rates or benefits through 30 September 2020;
- Grant recipients may not pay dividends or buy back shares of stock until 30 September 2021, and must agree to limits on employee/officer compensation from 24 March 2020 through 24 March 2022; and

The U.S. Secretary of Transportation may require, to the extent reasonable and practicable, that carriers accepting grants maintain air service to any point served before 1 March 2020 through 1 March 2022 at the latest, with special consideration given to small communities and to the maintenance of health care and pharmaceutical supply chains.

Airports

The CARES Act allocates USD 10 billion in grants for airports to "prevent, prepare or, and respond to coronavirus." The grants are only available to airport sponsors (i.e., public agencies and private owners of public-use airports) and must be for purposes directly related to airports. The airport grants will be allocated by formula -- USD 3.7 billion will be allocated among all commercial airports based on each airport's percentage of calendar year 2018 enplanements; another USD 3.7 billion will be allocated among all commercial service airports based on each sponsor's debt service and unrestricted reserves. In addition, the CARES Act reserves USD 100 million for general aviation airports. Hub and primary airports receiving grants must continue to employ at least 90 percent of their current number of employees through 31 December 2020 (excluding retirements or voluntary separations). The Secretary may waive this requirement upon determining that the airport is experiencing economic hardship as a result of the requirement, or that adherence to the requirement reduces aviation safety or security.

U.S. Government Ownership in Aid Recipients

Under the CARES Act, and as clarified in the loan Procedures and Requirements, the Treasury Department may not issue a loan to (1) a borrower that has issued securities that are traded on a national securities exchange unless the Treasury Department receives a warrant or equity interest in the borrower, or (2) any other borrower unless the Treasury Department receives, in the discretion of the Treasury Department, a warrant or equity interest in the borrower, or a senior debt instrument issued by the borrower. These requirements appear to give the Treasury Department considerable discretion in determining what warrants, equity interests, or senior debt instruments it will accept from borrowers. The loan Procedures and Requirements also instruct applicants to identify the financial instruments they propose to issue to the Treasury Department.

Debt	For grants, the Secretary is not required to receive financial instruments in return, but "may" choose to receive warrants, options, preferred stock, debt securities, or other instruments which, in the Secretary's sole determination, "provide appropriate compensation" to the government. Secretary Mnuchin has reportedly indicated that the government will choose to take equity stakes in airlines receiving grants. Consistent with these reports, grant applicants are required by the application procedures released by the Treasury Department to identify financial instruments that will provide appropriate compensation to the Federal Government for the grants received. To read more about this topic, please see this alert: Federal Reserve issues new Term Sheets and FAQs regarding Main Street lending program
Restructuring & Insolvency	A number of measures have been introduced to support distressed businesses, as can be seen under the Debt sections above. In addition, under the CARES Act, the eligibility requirements for small business debtor reorganizations were modified. As revised, an eligible debtor is a person engaged in commercial or business activities (excluding a person whose primary activity is the business of owning single asset real estate) that has aggregate debts in an amount not more than USD 7,500,000 (excluding debts owed to affiliates or insiders), no less than 50% of which arose from the commercial or business activities of the debtor.
Equity	No (semi-) equity measures have been announced.

Taxation

Corporate income tax

Post-TCJA Limitations on NOLs Relaxed: For NOLs taxpayers generate in taxable years beginning in taxable years beginning after 31 December 2017 and before 1 January 2021, the CARES Act allows taxpayers to use their NOLs without the TCJA's 80% limitation to taxable income. This approach fully preserves these deductions. The CARES Act also allows taxpayers to carry certain losses back five years. Taxpayers that wish to carry back NOLs to prior years may exclude the year that includes the Section 965 transition tax from the carry back and will not have to use their NOLs against the Section 965 inclusion, which is taxed at a lower rate. CARES Act §2303..

- TD 9900; REG 125716-18, Carryback of Consolidated Net Operating Losses
- Rev. Proc. 2020-24, Provides Guidance Under the CARES Act to Taxpayers with NOLs
- Notice 2020-26, Extension of Time to File Application for Tentative Carryback Adjustment
- FAQs - Procedures to Fax Certain Forms 1139 and 1045 Due to COVID-19
- FAQs - NOL Carrybacks of C Corporations to Taxable Years in which the Alternative Minimum Tax Applies
- FAQs - Carrybacks of NOLs for Taxpayers Who Have Had Section 965 Inclusions
- FAQs - Carryback of NOLs by Certain Exempt Organizations

Modification of Limitation on Losses for Non-Corporate Taxpayers: The CARES Act essentially eliminates the limitation on excess business losses under Section 461(l) for taxable years beginning in 2018, 2019, and 2020, effectively delaying the implementation of this provision for three years. The CARES Act fixes the carryforward rule for excess business losses, and takes certain deductions, capital losses, and capital gains out of the calculation for excess business losses. Further, any deductions, gross income, or gains attributable to any trade or business of performing services as an employee are disregarded in determining a taxpayer's excess business loss. CARES Act §2304.

Acceleration of Refundable Alternative Minimum Tax ("AMT") Credits: The CARES Act accelerates a taxpayer's ability to claim a refund of its AMT credits by making an election to claim the entire amount of the credit in their 2018 taxable year. Alternatively, a taxpayer may claim the refund in its 2018 and 2019 taxable years. Taxpayers may file a tentative claim for refund. CARESAct §2305.

Taxation

Charitable Contribution Limits: The CARES Act allows corporate taxpayers to elect to raise the limitation on qualifying charitable contributions under §170(c) from 10% to 25% of taxable income. Contributions must be paid in cash during 2020 to qualifying organizations. CARES Act §2205.

- Notice 2020-46. Treatment of Amounts Paid to Section 170(c) Organizations under Employer Leave-Based Donation Programs to Aid Victims of the Coronavirus Disease (COVID-19) Pandemic

Temporary relaxation of the section 163(j) limitation: The CARES Act increases the interest limit from 30% of adjusted taxable income (ATI) to 50% of ATI for tax years beginning in 2019 and 2020 and would allow taxpayers to substitute their (presumably higher) 2019 ATI for their 2020 ATI to further increase the amount of their interest deduction. A taxpayer may elect not to have the increased 50% limitation apply to any taxable year. Once an election is made, it cannot be revoked without consent.

With respect to partnerships, the increase to 50% of ATI is limited to the 2020 taxable year, however a similar benefit is given for the 2019 taxable year directly at the partner level. For 2019, with respect to any excess business interest of the partnership allocated to the partner—(i) 50% is treated as business interest paid or accrued by the partner in the partner's first taxable year beginning in 2020 and which is not subject to the ATI limitations, and (ii) 50% is subject to the regular limitations of excess business interest allocated to the partner. The partner can elect not to have this special rule to apply. CARES Act §2306

- Rev. Proc. 2020-22. Tax Relief Regarding the Business Interest Expense Deduction Limitation

Immediate Expensing of Qualified Improvement Property (Technical Correction): The CARES Act includes the 15-year recovery period for qualified improvement property, which encompasses the former definitions of qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. Thus, QIP is "qualified property" under Section 168(k) and taxpayers can immediately expense the cost of QIP through their 2022 taxable year. The Act clarifies the definition of QIP to limit QIP so that it only includes improvements made by the taxpayer. Finally, for purposes of the alternative depreciation system, QIP is given a class life of 20 years. Unless Treasury issues guidance providing a different mechanism, taxpayers may have to file an amended return to benefit from this change. CARES Act §2307.

Filing and Payment Extensions and Relief:

People First Initiative: On 25 March 2020, the IRS announced relief measures ranging from easing payment structures to postponing compliance actions in response to COVID-19. These measures include suspending any new audits. IR-2020-59.

Taxation

Electronic Signature Relief: On 27 March 2020, the IRS issued a memorandum explaining that it will temporarily accept documents by email and digital signatures on certain documents. Such documents include: following documents: extensions of statute of limitations on assessment or collection, waivers of statutory notices of deficiency and consents to assessment, agreements to specific tax matters or tax liabilities (closing agreements), and any other statement or form needing the signature of a taxpayer or representative traditionally collected by IRS personnel outside of standard filing procedures (for example, a case specific Power of Attorney).

Social security / Employment / Wage taxes / Personal Income Tax

Employment Tax Credits Under Family First Coronavirus Response Act: Employment tax credits for paid qualified sick leave and family leave wages under the Families First Coronavirus Response Act will apply to wages and compensation paid for periods beginning on 1 April 2020, and ending on 31 December 2020. Notice 2020-21; FAQs - COVID-19-related tax credits for required paid leave provided by small and midsize businesses; FAQs - Families First Coronavirus Response Act (DOL).

Emergency Paid Sick Leave Act: Requires Eligible Employers to provide employees with paid sick leave (subject to daily cap and maximum per employee) if the employee is unable to work (including telework) due to any of the following:

- the employee is under a Federal, State, or local quarantine or isolation order related to COVID-19;
- the employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- the employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
- the employee is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- the employee is caring for the child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID–19 precautions; or
- the employee is experiencing any other substantially similar condition.

Taxation

Deferral of Employer Payroll Taxes: The CARES Act delays the payment due date for the employer share of social security taxes (the 6.2% tax borne by employers on wages up to the social security wage base) and railroad retirement act taxes, for the period from enactment until 31 December 2020. These taxes will be due 50% on 31 December 2021, and 50% on 31 December 2022. Deposit penalties will not apply due to the delayed payment. As drafted, the relief does not apply to taxpayers that have indebtedness forgiven under certain PPP loans. CARES Act §2302.

Tax Credit for Employee Retention: The CARES Act provides a refundable payroll tax credit equal to 50% of the wages paid by employers to employees for each calendar quarter during the COVID-19 crisis. The credit applies to, and is limited to, the first USD 10,000 of compensation, including health benefits, paid to an eligible employee. The credit applies to wages paid from 13 March 2020 through 31 December 2020, and is allowed against the employer's share of social security taxes (the 6.2% tax borne by employers on wages up to the social security wage base) and railroad retirement act tax.

The credit is available to two categories of employers: (1) an employer with business operations in 2020 that are partially or fully suspended due to a government order limiting commerce, travel, or group meetings as a result of COVID-19; and (2) an employer with business gross receipts in a calendar quarter in 2020 that are less than 50% of the business gross receipts for the same calendar quarter in 2019. An employer that receives a Small Business Interruption Loan is ineligible for the credit.

The credit is based on "qualified wages" paid to the employee. For employers with greater than 100 full-time employees in 2019, "qualified wages" are wages paid to employees when they are not providing services due to COVID-19-related circumstances. For eligible employers with 100 or fewer full-time employees in 2019, all employee wages qualify for the credit without regard to whether the employee is performing services during the relevant period. CARES Act §2301.

- TD 9904; REG-111879-20, Recapture of Excess Employment Tax Credits under the Families First Act and the CARES;
- FAQs - Employee Retention Credit under the CARES Act

Taxation

VAT

N/A

Excise / Import duties

Excise Tax Provisions: The CARES Act provides a waiver of the Federal excise tax on distilled spirits used for or contained in hand sanitizer that is produced and distributed in a manner consistent with Food and Drug Administration guidance. This waiver applies to spirits removed after 31 December 2019, and is effective only for calendar year 2020. CARES Act §2308.

The Act also suspends the air transportation excise tax on amounts paid for transportation of both passengers and cargo from 27 March 2020 through 31 December 2020. CARES Act § 4007(a).

- FAQs: Aviation Excise Tax Holiday under the CARES Act

Import Duties: On 19 April 2020, Treasury announced a 90-day extension for the payment of duties, taxes, and fees on certain imported merchandise to a U.S. importer. The U.S. importer must have suffered significant financial hardship, i.e., the operations of the US importer were partially or fully suspended in March or April because of a government authority order and as a result, the gross receipts are less than 60% of the gross receipts for the same period from 2019.

Other taxes

Gift and GST Tax Extension: The due date for filing the federal gift tax return (Form 709) and paying federal gift or generation-skipping transfer (GST) tax is automatically extended to 15 July 2020. No interest, penalty, or addition to tax for failure to file or pay tax will accrue until 16 July 2020, as a result of the extension. Taxpayers do not need to file Form 8892 to receive the extended due date for filing Form 709 and paying gift or GST tax until 15 July 2020. A taxpayer may choose, however, to file Form 8892 by 15 July 2020, to obtain an extension to file Form 709 by 15 October 2020. Any gift or GST tax postponed by the Notice, however, would still be due on 15 July 2020. Notice 2020-20..

Taxation

Comments

The CARES Act also granted the Treasury Secretary authority to provide up to USD 500 billion in loans, loan guarantees, and "other investments" to support qualifying businesses, states, and municipalities. This funding comes with restrictions. Among other things, loan recipients may not buy back stock or pay dividends until 12 months after the loan or loan guarantee is no longer outstanding. Loan recipients must also maintain employment at pre-24 March 2020 levels through 30 September 2020 "to the extent practicable." Even if maintaining employment at pre-24 March 2020 levels is not practicable, loan recipients may not in any case reduce employment by more than 10% below the level on 24 March 2020. Treasury was explicitly granted authority to issue guidance providing that any equity issued under this provision does not result in a Section 382 ownership change. CARES Act §4003.

There are several loan programs under the CARES Act, including the: Direct Loan Programs for specific industries; Primary Market Corporate Credit Facility; Main Street Business Lending Program; Commercial Paper Funding Facility; and Paycheck Protection Program (PPP).

PPP: USD 350 Billion to support loans administered by the SBA to provide for 8 weeks of assistance. Portion of the loan is forgivable under certain conditions, including maintaining wages and employment. Note: In order to prevent a double tax benefit, businesses may not take a deduction for expenses paid with forgiven PPP loan amounts, which do not create cancellation of debt income. Notice 2020-32.

Loans can be used for payroll costs; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or compensation; mortgage interest; rent; utilities; and interest on any other debt incurred before the covered period.

Who is eligible?

- A small business concern (as defined by SBA): (a) with 500 or fewer employees; (b) with more than one location in restaurantor hotel industry, with 500 employees or fewer per physical location, or (c)) that meets the current SBA size standards for its industry;
- Self-employed individuals; or
- Certain nonprofits with 500 or fewer employees.

Taxation

Since the CARES Act was passed, two laws have been passed to enhance that PPP. The PPP and Health Care Enhancement Act provided an additional USD 321b for the CARES Act's exhausted PPP, as well as USD 60 Billion for disaster loans, and USD 100 Billion for health care provider relief and testing. The Paycheck Protection Program Flexibility Act allows:

- businesses 24 weeks to use PPP loans;
- 40% of a PPP loan to be used for non-payroll costs and qualify for forgiveness;
- exemptions to the program's rehiring rule; and
- Recipients to defer payment of payroll taxes.

To read more about this topic, please see these alerts:

Increased flexibility for taxpayers in section 125 cafeteria plans in response to COVID-19

State and local tax responses to COVID-19: corporate income tax and sales and use tax deadline extensions

Changing the past - CARES Act depreciation method and interest deduction opportunities

IRS provides COVID-19 relief for tax deadlines and tax payments and 60-day relief for foreign nationals' day of presence

IRS's increased use of FAQs to implement the CARES Act

The CARES Act and ASC 740

Rev. Proc. 2020-34 - Relief for DSTs amid the COVID-19 pandemic

Retirement relief provisions accessible to more taxpayers

COVID-19 - no doctor required - IRS provides federal income tax relief to nonresidents during the pandemic

Venezuela

Foreign Investment Restrictions	No specific measures have been introduced in response to COVID-19.
Restructuring & Insolvency	No new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.
Debt	Presidential Decree No. 4,168 of March 23, 2020 established economic protection measures due to the COVID-19 among them, the creation of a special regime for the payment of credits and interest. The Decree entered into force on March 23, 2020 and makes reference to the Productive Credit Value Unit ("PCVU") and the Commercial Credit Value Unit ("CCVU"). The Resolution entered into force in March 10, 2020. **1. Special regime for the payment of credits.** The Venezuelan government ordered the Ministry of Economy and Finance and the Office of the Superintendent of the Institutions of the Banking Sector ("SUDEBAN") to implement a special regime for the payment of current credits in the public and private banks ("Regime"), through: ▪ *Application.* The Regime will apply to all credits granted by banking sector institutions, valid and totally or partially liquid, as of March 13, 2020. ▪ *Regime extension.* The Decree Regime extends to all payments of capital and interest, restructuring terms and other clauses in credit contracts. ▪ *Payment suspension.* Authorities may suspend payments, their enforceability and compliance with other related conditions, for periods of up to 180 days. ▪ *Special conditions of general nature.* The authorities may establish special conditions of general nature for some categories of credits. ▪ *Late payment interest and immediate payment.* Parties may not establish late payment interest nor the immediate enforceability of payment at the end of the suspension term.

Debt

- *CCVU and PCVU.* Credits granted under the CCVU or the PCVU will maintain their capital calculation mechanism, but will be payable under the new conditions of the Regime.

2. Allocation of credits.

Under the guidelines issued by SUDEBAN and its Steering Committee, public and private banks will prioritize the allocation of credits to these essential sectors:

- Agro-food sector, including agricultural industries and the production and distribution chains for food.
- Pharmaceutical sector.
- Hygiene production sector that creates products to attend the measures of the State of Alarm.
- The authorities may expand the list of essential sectors depending on national needs regarding the COVID-19 pandemic.

3. Steering Committee of the Sole National Productive Portfolio.

The government authorized the Steering Committee to issue the guidelines for the access of productive credits to the essential sectors mentioned above.

4. Execution and implementation. The Sectorial Vice President for the Economy will develop the aspects to enforce the Decree.

On August 26, 2020, the National Executive declared that these measures will be in force until December 31, 2020. He also declared that small and medium-sized enterprises will not pay income tax for patents nor income until December 21, 2020. This declaration was by TV and there is no formal regulation in this connection.

Equity

No (semi-) equity support measures have been announced.

Taxation

Corporate income tax

- The Venezuelan Government established that individuals domiciled in the country with an income that does not exceeds from USD 6.72 in fiscal year 2020, do not have to pay income tax. Presidential Decree No. 4420 ("Decree 4420")[2] was issued as part of several incentives or stimulus granted by the Venezuelan Government to taxpayers due to the COVID-19 pandemic. Decree 4420 established that Venezuelan resident individuals "must only pay income tax on net taxable income from Venezuelan sources obtained during fiscal year 2020, that exceed 5,000 Tax Units" (VES. 7,500,000 or USD 6.72 at the same exchange rate). Even though it was not the best drafting and the characterization of the tax benefit is not entirely clear, the practical effect is that Decree 4420 increased the base exemption of the Income Tax Law. Therefore, individuals that obtained an income of VES. 7,500,000 or less in fiscal year 2020 are not required to pay income tax. On the other hand, a literal interpretation of Decree 4420 could lead to conclude that Venezuelan resident individuals must only pay tax on their territorial income, excluding extraterritorial income. The tax benefit will not apply to taxpayers that fail to file or late file the final income tax return. This means that taxpayers who obtained net taxable income over 1,000 Tax Units or gross income over 1,500 Tax Units in fiscal year 2020, but their Venezuelan source net taxable income was equal or lower than 5,000 Tax Units in the same fiscal year, must file the return, but will not be subject to the payment of the tax. Taxpayers who violate the obligations established in the Organic Tax Code, the Income Tax Law and other laws, will also lose the tax benefit.
- Taxpayers who, by 8 January 2021 (when Decree 4420 entered into force) have filed the income tax return and paid income tax for fiscal year 2020 but are under the circumstances of Decree No. 4420, will have a tax credit against the National Treasury equal to the tax paid in excess. Such taxpayers may (i) offset the tax credit against the income tax of following fiscal years or other national taxes other than VAT, (ii) assign the credit at discount to third parties for the same purpose of offsetting or (iii) request a reimbursement.

Social security / Employment / Wage taxes / Personal Income Tax

To date, no measures have been implemented..

VAT

- To date, no VAT reform has been implemented.
- Early in 2020, the Government granted a one year VAT exonerations for (i) the imports of products that may combat or prevent COVID-19

Taxation

- Late on 2020, by means of the Decree No. 4,412 dated 29 December 2020, ("Decree"), the Government established an exoneration of the VAT, Import Tax and Rate for Determination of the Customs Regime to imports of various goods and merchandise of certain economic sectors; including the automotive and telecommunication sectors. The Decree also extended the exoneration related to the import of goods to prevent COVID-19 until April 30, 2021.
- The Federal tax authority issued the calendar of special taxpayers, withholding agents and taxes on playing, betting and gambling activities for 2021 (Administrative Orders Nos. SNAT/2020/000078 and SNAT/2020/00007, published in Official Gazette No. 42,038, 30 December 2020).

Excise / Import duties

- The Government granted a one year import duties exoneration to the imports of products that may combat or prevent COVID-19.

*See VAT section for the extension of the exoneration of import duties related to COVID-19 prevention goods; as well as to complimentary exonerations that include import duties on the import of certain goods, including goods related to the automotive and telecommunication sectors; as well. (Decree No. 4,412 dated 29 December 2020).

Other taxes

- The Governor of the Carabobo state issued Decree No. 1,557 whereby it set the value of the Special Tax Amount ("ITE") in 0.00015 Petros ("PTR"), which will have as reference the value of the Sovereign Crypto asset Petro. 2 That equals to VES 8,833.41. 3 The previous value, set on July 27, 2020, was VES 1,500.00.4 The ITE must be paid in its equivalent only in VES, according to the final value of the immediately preceding business day indicated by the Central Bank of Venezuela.
- The Decree entered into force on December 1, 2020.

Comments

N/A

To read more about this topic, please see this alert:

Ministries of Economy and Finance and Health issued join resolution whereby it includes new tariff codes for goods aimed at preventing the spread of COVID-19 that are exempted from taxes

Asia Pacific

- Australia
- Singapore
- China
- Taiwan
- Hong Kong
- Thailand
- Indonesia
- Vietnam
- Japan
- Malaysia
- Philippines

Navigate to chapters and back by clicking the flag or regional map

Australia

Foreign Investment Restrictions

The Australian Government has announced temporary changes (effective from 29 March 2020) to its foreign investment review framework so as to protect the national interest in light of the economic implications arising from the spread of COVID-19.

All proposed foreign investments into Australia subject to the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("the Act") will require FIRB approval, regardless of the value of the investment or the nature of the foreign investor, where the other conditions for notification are met.

This reflects the monetary thresholds that apply to "foreign government investors", and private acquisitions in Australian media businesses, residential land proposals, mining and production tenements, and vacant commercial land proposals.

While the dollar sum "threshold test" will be met in relation to all acquisitions in Australian entities, businesses or land, the other conditions of a significant or notifiable action must also be met. There is no change to the meaning of "significant action" and "notifiable action" as presently provided.

As under the existing framework, acquisitions by private foreign investors of less than 20% in an Australian entity generally do not require approval (exceptions to this are Australian agribusinesses and land entities which require approval for acquisitions of more than 10%). This will continue to be the case.

To ensure sufficient time for screening applications, FIRB will extend the statutory timeframes for reviewing applications from 30 days to up to six months.

The new rules will not apply to agreements entered into prior to 10:30 pm AEDT 29 March 2020, including acquisitions that have not yet completed. FIRB has emphasized that the changes are temporary measures that will remain in place for the duration of the coronavirus crisis.

To read more about this topic, please see this alert:

Major changes to FIRM framework from 1 January 2021

Australia

Debt

The Australian Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority (APRA) have implemented the following measures to support the flow of credit in the Australian economy: Establishment of the Coronavirus SME Guarantee Scheme (CSGC) under which the Government will provide a guarantee of 50% to SME lenders to support new short-term unsecured loans to SMEs. The CSGC will guarantee up to A$40 billion in new lending. Announcement of a term funding facility for the banking system. Banks will have access to at least A$90 billion in funding at a fixed interest rate of 0.25%. To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

Announcement of a six month debt repayment deferral to SME borrowers holding less than A$10 million in total debt. Further easing of the monetary policy by reducing the cash rate to 0.25%. Provision of $15 billion to be invested in the structured finance market used by non-Authorised Deposit-Taking Institutions (non-ADIs) and smaller ADI lenders. Grant of temporary exemption from responsible lending obligations to lenders providing credit to existing small business customers. The exemption is valid for 6 months, and applies to any credit for business purposes, including new credit; credit limit increases; and credit variations and restructures.

Process to get support

For the CSGC, companies should visit the website of the Treasury (https://treasury.gov.au/economic-response-coronavirus-coronavirus-sme-guarantee-scheme/list-participating-lenders) and approach one of the listed participating lenders with their borrowing proposal. The decision on whether to extend credit, and management of the loan, will remain with the lender.

Restructuring & Insolvency

Extensive federal government stimulus measures have been announced to provide support for distressed businesses, which are largely effected through the taxation system. Certain amendments to insolvency related legislation have also been made:

- "COVID-19" defense to the insolvent trading prohibition has been introduced, where debts are incurred in the period from 25 March 2020 to 24 September 2020 in the ordinary course of the company's business; and
- the Corporations Act has been amended to require a statutory demand issued to a debtor during the COVID-19 pandemic to be for a minimum of AUD 20,000 (previously AUD 2,000) and giving the debtor company six months to comply with the statutory demand or apply to set it aside (previously 21 clear days).

Finally, there are discussions around whether counterparties to insolvent companies need specific protection, given that they will be highly exposed to unfair preference claims in respect of payments received during the COVID-19 pandemic from companies that go into liquidation within six months.

Australia

Taxation

Corporate income tax

N/A

Social security / Employment / Wage taxes / Personal Income Tax

JobKeeper payments to employers - eligible businesses impacted by COVID-19 may be able to access a subsidy from the Commonwealth Government to assist with paying their employees, up to a fortnightly payment of AUD 1,500 per eligible employee for a maximum of 6 months.

Payroll tax - most state and territory governments have proposed measures to assist taxpayers in meeting their payroll tax obligations (including waivers, deferrals, grants and changes in thresholds).

VAT

See Payment Deferrals in Comments.

Excise / Import duties

See Payment Deferrals in Comments.

Other taxes

N/A

Comments

The instant asset write-off (IAWO) threshold has been increased from AUD 30,000 to AUD 150,000 and is accessible to businesses with aggregated turnover below AUD 500 million.

Accelerated depreciation deduction measures - businesses with aggregated turnover below AUD 500 million may be able to access allowable deductions including 50% of the cost of eligible assets.

Cash flow payments to employers - businesses with an aggregated turnover of less than AUD 50 million may be eligible to receive up to AUD 100,000 in tax-free payments.

Australia

Taxation

Changes to monthly BAS reporting - businesses with a GST turnover of less than AUD 20 million are allowed to change to monthly BAS reporting to access BAS refunds faster.

Payment deferrals - eligible businesses can apply to defer the payment date of amounts due through the BAS (including GST), income tax assessments, FBT assessments and excise by up to 6 months.

Changes to monthly BAS reporting - businesses with a GST turnover of less than AUD 20 million are allowed to change to monthly BAS reporting to access BAS refunds faster.

PAYG Concessions - the ATO has offered various PAYG concessions to eligible taxpayers including varying their instalments from the March 2020 quarter to 0.

Remission of interest and penalties - the ATO will consider remitting interest and penalties incurred after 23 January 2020 to taxpayers affected by COVID-19.

Low interest payment plans - taxpayers affected by COVID-19 may discuss entering into a low interest payment plan with the ATO to help pay existing and ongoing tax liabilities.

Temporary and permanent cessation - the ATO has provided informal guidance for actions businesses should take should it cease its operations, either temporarily or permanently, including information for Single Touch Payroll (STP) reporters who have let employees go.

To read more about this topic, please see this alert: COVID-19 - preparing for tax reform?

Foreign Investment Restrictions	No specific measures have been introduced in response to COVID-19.
Debt	**Debt financing relief:** The People's Bank of China (PBOC) and the Ministry of Finance (MOF) have promulgated measures (Measures) to provide financing support to the companies related to the controlling of COVID-19 (Qualified Borrower). PBOC will provide low cost capital to the PRC banks for the PRC banks to provide financing support to the companies related to the controlling of COVID-19. MOF will provide interest subsidization to the Qualified Borrowers. A Qualified Borrower are companies that produce, transport or sell epidemic prevention supplies (i.e., ventilators, disinfectant, protective clothing, masks, goggles, etc.). The PBOC, National Development and Reform Commission, and the Ministry of Industry and Information Technology will decide and issue a list of the Qualified Borrowers. The Measures are not directly provided to companies - companies need to apply for the financing support from the PRC banks or MOF (including its local branches). MOF, PBOC and the Ministry of Human Resources and Social Security promulgated measures to lower the requirements of applying for guaranteed start-up loans, which are loans granted to certain qualified small and micro enterprises and individuals. Such loans are granted by banks and guaranteed by institutions established or designated by governments and supported by government with interest subsidization. From April 15, 2020 to December 31, 2020, a small and micro enterprise in which more than 15 percent of employees (previously the ratio is required to be 20%) are newly hired can apply for guaranteed start-up loans; for companies with a workforce of more than 100 persons, the ratio of newly hired employees is now reduced to 8 percent.

Debt

For a small and micro enterprise that faces liquidity crunch, repayment of the guaranteed start-up loans may be extended up to June 30, 2020.

Debt moratoria measures:

The below outlines the measures promulgated by the PBOC, MOF, China Banking and Insurance Regulatory Committee ("CBIRC") and other departments of the Chinese government in providing financing support to counter the COVID-19.

If a small and micro enterprise is affected by the epidemic of COVID-19 and is not able to repay its loan, the financial institution providing the loan to the SME may not mandatorily require the borrower to repay the loan.

The financing institution may consider, as appropriate, to extend the loan or provide refinancing.

The government departments further promulgated more detailed measures ("Detailed Measures") on June 1, 2020.

The Detailed Measures impact payments of both principal and interest of loans (including loans borrowed by small and micro businesses, individual businesses, or small and micro business owners with credit limit of not more than RMB 10 million) that become due between June 1, 2020 and December 31, 2020.

Repayments of principal and interest may be extended up to March 31, 2021, without charging default interest.

The specific repayment arrangement for the deferred interest shall be negotiated and determined by the banks and borrowers.

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt section above.

In addition, the National Development and Reform Commission, the Supreme People's Court, the Ministry of Industry and Information Technology and several other departments jointly issued the Reform Plan for Accelerating Improvement of the Exit System for Market Participants ("Reform Plan"), which generally requires further clarification of the methods for the exit of market participants and the improvement of conditions, standards and specific procedures for a well-regulated exit. In addition, the Reform Plan particularly requires different government departments to undertake corresponding responsibilities to improve the dissolution proceedings, as well as the bankruptcy proceedings. The topics mentioned in the Reform Plan are still under discussion.

In terms of the improvement of dissolution proceedings, the Reform Plan not only requires the regulation of exit by voluntary dissolution, but also states that exit by involuntary dissolution should be implemented steadily and properly. In terms of voluntary dissolution, the Reform Plan emphasizes that enterprises should stipulate the causes of dissolution in their AOA. Unless otherwise provided by law, upon the occurrence of a cause of dissolution, the market participant will pass a resolution to dissolve according to the governance procedure and voluntarily leave the market.

As for involuntary dissolution, the Reform Plan requires the following:

1. Strictly define the conditions for market participants to exit by involuntary dissolution arising from the provisions of the government's public policies, steadily and properly handle related post-exit matters and protect the property of market participants.
2. Harmonize standards and procedures for the exit of market participants by involuntary dissolution.
3. Establish a remedy procedure for exit by involuntary dissolution to guarantee the lawful rights and interests of exiting market participants and stakeholders.
4. Improve the mechanism for the connection between liquidation in dissolution and liquidation in bankruptcy proceedings of companies.

As for bankruptcy proceedings, the Reform Plan seeks to improve the bankruptcy regime for enterprises. Several requirements are set out in the Reform Plan, including but not limited to:

1. improving the institution and trial procedures for enterprise bankruptcy, specifically:
    a. researching and studying the necessity and feasibility of imposing on senior management and other relevant responsible persons of enterprises the obligation to apply for bankruptcy liquidation or revival proceedings in a timely manner when the enterprises experience financial difficulty,

Restructuring & Insolvency

b. improving the rules of rankings of debts in bankruptcy proceedings,
c. establishing a summary procedure for bankruptcy trials,
d. improving the rules of cross-border bankruptcy and the bankruptcy of affiliate enterprises, etc.

2. studying the establishment of a pre-revival and extrajudicial revival regime, specifically:
   a. improving the system of financial institution creditors' committees and specifying the mechanism for procedure shifts and recognition of the effect of resolutions between the system of financial institution creditors' committees and the system of judicial creditors' committees,
   b. studying the establishment of a pre-revival system and specifying the legal status and contents of a pre-revival system,
   c. enhancing the credibility and binding force of an extrajudicial revival system,
   d. achieving an effective connection between the extrajudicial revival system, the pre-revival system and the bankruptcy revival system,
3. improving the bankruptcy revival regime, specifically:
   a. refining and improving the implementation rules for the revival proceedings,
   b. specifying the examination standards and the legal basis for the compulsory approval of revival plans and regulating courts' power to exercise the compulsory approval of revival plans,
   c. improving the group voting mechanism in the revival proceedings,
   d. optimizing the administrator system and management models, specifying the boundaries of rights between administrators and debtors, and administrators and creditors,
   e. reasonably involve debtors to operate business in the revival proceedings,
   f. establishing a mechanism to recruit personnel with professional qualifications and the capability to participate in the operation and management of enterprises under revival proceedings.

A milestone reform of China's insolvency system is the introduction of personal bankruptcy regime. Shenzhen has issued China's first personal bankruptcy regulation (the "Regulation"), which will take into effect from March 1, 2021. Following which, Zhejiang Province also explored the personal bankruptcy system, by promulgating "*Guidelines on Centralized Clearing up Personal Debts (Personal Bankruptcy) in Zhejiang Courts (Trial)*" on December 2, 2020. The exploration of personal bankruptcy system in the two places may be a signal for China's desire to introduce it nationwide.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate income tax

- Effective from 1 January to 31 December 2020, a company's donation of cash and materials to support the prevention of COVID-19 can be fully deducted when calculating enterprise income tax (EIT). The incentive only applies if the company donates cash and materials through public welfare social organisations or governments at or above county level, or directly donates materials to hospitals undertaking COVID-19 prevention and control tasks.
- Effective from 1 January 2020, the carry-forward period of losses incurred in 2020 by a company in the transportation, catering, accommodation, tourism and movie industries has been extended from 5 years to 8 years. Certain conditions apply.
- Effective from January 1 to 31 December 2020, the relevant equipment newly purchased by qualified key enterprises for the production of guarantee materials in epidemic prevention and control to expand production capacity are allowed to be deducted at once before EIT.
- Effective from 1 May to 31 December 2020, small-scale micro profit enterprises may defer payment of EIT for the current EIT reporting period until the first reporting period of 2021.

Social security / Employment / Wage taxes / Personal Income Tax

Social Security

- The following measures regarding social security premiums apply:
  i. Effective from 1 February to 31 December 2020, all provinces can exempt middle-to-small scale companies from the companies' contributions for basic retirement insurance, unemployment insurance, and work injury insurance premiums (collectively, "social security premiums").

Taxation

ii. Effective from 1 February to 30 June 2020, Hubei Province can exempt companies in Hubei from the large companies' contributions for social security premiums.

iii. Effective from 1 February 2020 to 30 June 2020, provinces other than Hubei can reduce large companies' contributions for social security premiums to 50%.

- Enterprises affected by COVID-19 with severe difficulties in production and operation may apply for deferred payment of social insurance premiums until the end of December 2020, and late payment surcharge is exempted for the relevant deferred payment period.
- Effective from 1 February 2020, each province can reduce the companies' contributions for basic medical insurance premiums to 50% for all companies.

  i. The reduced-payment period cannot exceed five months.

  ii. Each province will release its specific policy

Personal Income Tax

- Effective from 1 January to 31 December 2020, an employee's donation of cash and materials in prevention of COVID-19 can be fully deducted when calculating individual income tax (IIT). The incentive only applies if the employee donates cash and materials through public welfare social organisations or governments at or above the county level or directly donates materials to hospitals undertaking COVID-19 prevention and control tasks.
- Effective from 1 January to 31 December 2020, materials such as medicines, medical supplies and protective supplies (excluding cash) provided to employees are not regarded as part of salaries and wages and thus are not subject to IIT.
- Effective from 1 January to 31 December 2020, temporary subsidies and bonuses obtained by medical staff and epidemic prevention workers participating in COVID-19 prevention and control in accordance with the standards prescribed by the government are exempt from IIT.

Taxation

VAT

- Effective from 1 January to 31 December 2020, a company's donation of goods to support the prevention of COVID-19 is exempted from VAT, consumption tax and local surcharges. The incentive only applies if the company donates through public welfare social organisations or governments at or above county level, or to hospitals undertaking COVID-19 prevention and control tasks.
- Effective from 1 January to 31 December 2020, a company's revenue generated from providing public transportation services, livelihood services, express (including transportation, pickup and delivery) services for residents' essential necessities and movie showing services is exempt from VAT and local surcharges. Certain conditions apply.
- Effective from 1 January to 31 December 2020, a company's revenue from the transport of goods for epidemic prevention and control of COVID-19 outbreak is exempt from VAT and local surcharges. Certain conditions apply.
- Effective from 1 January to 31 December 2020, qualified key enterprises for production of guarantee materials for epidemic prevention and control can apply for a full refund of excess accumulated input VAT amount on a monthly basis. The excess accumulated input VAT amount refers to the increased amount of input VAT at the end of this month compared to the accumulated input VAT at the end of December 2019.
- Effective from 1 March to 31 December 2020, for small-scale VAT taxpayers which enjoy the 3% VAT collection rate:

i. if located in Hubei province, their VAT is exempted;

ii. if located in other provinces, their VAT collection rate is reduced to 1%.

Excise / Import duties

- Effective from 1 January 2020 to 31 March 2020, the donation of imported materials for COVID-19 prevention and control is exempt from import tariffs, import VAT and consumption tax. Imported materials for COVID-19 prevention include reagents, disinfection articles, protective supplies, ambulances, epidemic prevention vehicles, disinfection vehicles and emergency command vehicles.
- Effective from 1 January 2020 to 31 March 2020, imported materials that are directly used for the prevention and control of COVID-19 and whose importations are organised by the competent department of health are exempt from tariff.

China

Taxation

Other taxes

- China encourages local government to reduce or exempt property tax and urban land use tax for the purpose of supporting the lessor to reduce rents of individual business. Local policies vary.
- The PRC tax authorities have been announcing extension of tax filing deadline on a monthly basis depending on the situation and development of COVID-19. To date, the tax authorities have extended the tax filing deadline for February, March, April and May 2020 due to COVID-19.

Comments

- The PRC Ministry of Finance and the State Taxation Administration have released multiple tax incentives to support, and to incentivize companies and individuals to support those who are impacted by the coronavirus outbreak. Listed here are some incentives applicable to the business and employees of an MNC's China subsidiary. Please check with the China office for updates.
- Details can be found in Chinese on http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5145868/content.html

Foreign Investment Restrictions

COVID-19 has had no impact on Hong Kong's foreign investment review regime.

Debt

Debt Financing Relief

In response to the impact of the COVID-19 pandemic, the Government has introduced various debt financing relief measures to support businesses, employees and the public.

1. Enhancements to the SME Financing Guarantee Scheme

The SME Financing Guarantee Scheme (the "Scheme") was launched in 2011 and is conducted by the HKMC Insurance Limited ("HKMCI"), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited. The Scheme aims at helping local small and medium-sized enterprises ("SMEs") and non-listed enterprises to obtain credit facilities from participating lenders, with the HKMCI providing guarantee coverage of 50%, 60% or 70%. With the Government's support and as time-limited special concessionary measures, the HKMCI introduced the 80% and 90% guarantee products (the "80% / 90% Product") in 2012 and 2019 respectively.

According to a Government press release on 2 September 2020, HKMC Insurance Limited (a wholly-owned subsidiary of the Hong Kong Mortgage Corporation Limited) has announced that, in order to alleviate cash flow for SMEs, the application period for principal moratoriums for the 80% / 90% Product is extended for six months to March 31, 2021, and the maximum duration of principal moratorium is increased from 12 months to 18 months, while the loan guarantee period can be extended correspondingly.

In response to COVID-19, the Government introduced a special 100% guarantee product (the "100% Product") on 26 February 2020, and further enhancement measures (the "Enhancement Measures") to the 80%, 90% and 100% Products on 8 April 2020.

Under the 100% Product of the Scheme:

- *Who are eligible?* – The borrower must have business operations in Hong Kong for at least three months, and be registered in Hong Kong under the Business Registration Ordinance (Cap. 310). It must have good loan repayment records. Publicly-listed companies, lending institutions and affiliates thereof are not eligible. In addition, the borrower has to prove that it has suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter in 2019.

Debt

- *What types of loan are eligible?* – Applicable to loans of a non-revolving nature only. The credit facility must be used to pay wages and rents, or to meet imminent needs in working capital (but not to repay, restructure or repackage existing debts).

On 15 September 2020, the HKMCI announced that, in order to further alleviate cash flow pressure, the maximum amount of loan per enterprise under the 100% Product is raised from the total amount of employee wages and rents for 6 months to that for 12 months, or HK$5 million (originally HK$4 million), whichever is lower. The total guarantee commitment is raised from HK$50 billion to HK$70 billion, while the maximum repayment period of the guaranteed loans is increased from 3 years to 5 years. Existing borrowers under the 100% Product can apply to increase the loan amount and/or extend the repayment period with no additional supporting documents needed. This enhanced scheme will start receiving applications from 18 September 2020.

2. Lowering the regulatory reserve requirement on locally incorporated authorized institutions

To provide authorized institutions ("AIs") with a greater lending headroom to support customers to cope with the COVID-19 outbreak, the Hong Kong Monetary Authority ("HKMA") has decided to lower the regulatory reserve ("RR") requirement on locally incorporated AIs by 50% with immediate effect on 8 April 2020.

3. Fixed-rate Private Residential Mortgage Pilot Scheme

As part of the 2020-2021 Budget, the Financial Secretary announced on 26 February 2020 that the Hong Kong Mortgage Corporation Limited ("HKMC") will introduce a pilot scheme for fixed-rate private residential mortgages for 10 years (2.75% p.a.), 15 years (2.85% p.a.) and 20 years (2.95% p.a.). The maximum limit per loan transaction is HK$10 million, and the total loan amount available under this pilot scheme is $1 billion, subject to review based on market response.

At the end of the fixed-rate period, the borrowers may either re-fix the mortgage rate under fixed-rate mortgages or convert the mortgage to a floating rate loan.

Offered through banks, the pilot scheme aims to provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. Further announcement will be made on the participating banks and the date of receiving applications upon finalisation.

Debt

4. Cathay Pacific Recapitalisation Proposal

Cathay Pacific Airways Limited ("Cathay") announced on 9 June 2020 that it proposed to implement a recapitalisation plan with the support of the Government, where the Government would immediately make available to Cathay an aggregate amount of HK$27.3 billion through the subscription of preference shares and the provision of a committed bridge loan facility. The Government would also have the option to subscribe for further shares within the next 5 years at an amount of approximately HK$1.95 billion.

After the completion of the recapitalisation plan, the Government would have a 6.08% shareholding in Cathay. The Government would also have the right to appoint two observers to attend board meetings and have access to management and information for as long as it remains a holder of any of the preference shares or any amount under the bridge loan remains outstanding.

Debt Moratoria Measures

1. Pre-approved principal payment holiday scheme for corporate customers

The HKMA (in consultation with the Banking Sector SME Lending Coordination Mechanism) has developed a pre-approved principal payment holiday scheme (the "Scheme") in an effort to provide immediate relief to SMEs, including retail, property, and service industries in particular..

- *Who are eligible?* – Corporate borrowers which have an annual sales turnover of HK$800 million or less, have no outstanding bank payments which have been overdue for more than 30 days as at 1 May 2020, and are not in the process of ceasing operations or declaring bankruptcy or liquidation. As at 2 September, 130,000 companies qualify, representing 80% of corporate borrowers in Hong Kong, and 15,000 of them have applied for the payment holiday since May. The HKMA also encourages banks to adopt an accommodative stance with respect to corporate borrowers which are not covered by the Scheme, and to assess their requests for financial assistance on a case-by-case basis, provided that it is consistent with prudent risk management principles to do so.
- *How does it work?* – Participating banks will pre-approve deferment of all principal payments of bilateral loans of eligible borrowers falling due between 1 May 2020 and April 2021 for up to 6 months, as per an extension of the Scheme announced by the Government on 2 September 2020. During this time period, eligible companies will only need to pay the interest but not the principals on their loans for up to 6 months, except for repayments of trade loans, which would be deferred by 90 days. Borrowers who had been approved prior to the 2 September 2020 could receive a six-month extension of the moratorium, while applications were open for other companies that had not previously applied.

Hong Kong

Debt

Initially, applications by borrowers were not required and participating banks were to reach out to borrowers and advise them on the terms and financial implications of the principal payment holiday. But in the 2 September announcement, the Government stated that as customers were already familiar with the Scheme, banks would not issue individual notifications regarding the extension of the Scheme from October 2020 to April 2021. Instead, corporate customers in need of relief are requested to contact their banks, which will handle each case on a "pre-approved" basis.

- *Which banks will participate?* – All AIs in Hong Kong regulated by the HKMA were expected to participate in the Scheme under the same terms. As at 2 September 2020, one hundred and four banks have participated in the Scheme.

2. Voluntary measures

The HKMA has also asked banks in Hong Kong to consider introducing voluntary debt moratoria measures to support SMEs in addressing cash-flow problems, as the COVID-19 outbreak continues. These measures include:

- allowing SME customers in the import-export and manufacturing sectors facing cash-flow pressure due to delays in shipments to further extend the repayment period of trade financing facilities; and
- allowing more customers to apply to convert trade financing lines into temporary overdraft facilities so that customers can manage their cash flow more flexibly.

Restructuring & Insolvency

There are no formal dispensations or restrictions on creditor actions. However, as part of the 2020-2021 budget, the financial secretary announced on 26 February 2020 that the government will introduce various measures to assist businesses in light of COVID-19 under the "Anti-epidemic Fund." The government has set up an Anti-epidemic Fund in response to COVID-19, with a budget of HKD 30 billion in the first round and more than HKD 130 billion in the second round. The schemes that fall under this fund are largely set out above under the Debt section.

Equity

No (semi-) equity measures have been announced.

Hong Kong

Taxation

Corporate Income Tax

A reduction of 2019/20 profits tax payable by 100% (capped at HKD 20,000).

The Inland Revenue Department ("IRD") will issue 2019/20 profits tax returns to active companies on May 4 (around a month later than usual). Profits tax returns in unrepresented cases are due for filing within one month of issue. Companies that are represented will get extensions under the IRD's block extension scheme. Special extensions are available this year under the block extension scheme for "N-code" companies (i.e., with accounting year end dates fall within 1 April to 30 November). For N-code companies represented by tax representatives, filings are due by 30 June. For D-code companies (i.e., with accounting year end date falls within 1 December 2019 to 31 December 2019) represented by tax representatives, the due date for filing 2019/20 profits tax returns is extended from 17 August 2020 to 15 September 2020.

Social Security/ Employment / Wage Taxes / Personal Income Tax

One-off reductions of salaries tax and tax under personal assessment for the year of assessment 2019/20 by 100% (capped at HKD 20,000 per case). The reductions will be reflected in taxpayers' final tax payable for the year of assessment 2019/20. The tax reduction is not applicable to property tax. Individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment.

The IRD will issue 2019/20 individual tax returns on 1 June (around a month later than usual). Taxpayers are required to file by 30 June. Taxpayers who elect for electronic filing via eTAX receive an automatic one month extension.

VAT

N/A

Excise / Import duties

N/A

Other Taxes

- Extension of deadline to 1 June 2020 to provide the notification through Hong Kong's country-by-country reporting portal for taxpayers whose relevant accounting period ended between 31 December 2019 and 29 February 2020.

Taxation

Other Taxes

- Deadlines for tax payments, lodgement of objections and holdover applications, and submission of tax returns and information that fall between March 23 and May 2 are automatically extended to May 4.
- Automatic extension of deadlines by 3 months for payment of Salaries Tax, tax under Personal Assessment ("PA") and Profits Tax for the 2018/19 assessment year that will be falling due in April to June 2020. No application by taxpayers is required for the relief. For taxpayers who have promptly settled the first instalment of their respective demand notes under Salaries Tax, PA and Profits Tax for the 2018/19 assessment year, the deadline for tax payment for the second instalment will be automatically extended for 3 months from the due date of the second instalment as specified on the demand note. If the extended deadline falls on a Saturday, Sunday or public holiday, the deadline will be the next working day. The above relief measure is not applicable to taxpayers who have to settle their tax liabilities before departing Hong Kong and taxpayers paying Property Tax.
- Most of the financial assistance or relief under the Anti-epidemic Fund (AEF) provided to businesses or individuals would be exempt from tax. A summary of the proposed tax treatment for the two rounds of measures under the AEF is in the Annex.
- To assist taxpayers (including individuals and companies) in making tax payments for the year of assessment 2019/20, for instalment plans approved by the IRD allowing taxpayers in financial difficulties for settlement of salaries tax, profits tax and personal assessment demand notes issued between August 2020 and August 2021 for the year of assessment 2019/20, provided that the instalment plans are duly adhered to, no surcharge will be imposed for a maximum period of one year counting from the respective due dates of the demand notes. If the tax demanded under the first instalment of the demand note has been settled on or before the due date and instalment plan is only granted for settlement of the tax demanded under the second instalment, the one-year period will count from the due date for the second instalment. If payments are not made according to the approved instalment plan, the instalment arrangement will be cancelled and a surcharge of not exceeding 5% on the amount then outstanding will be imposed. A further surcharge of not exceeding 10% may also be imposed on the amount of tax and 5% surcharge remaining unpaid 6 months after the date of imposition of the 5% surcharge.

Comments

N/A

Indonesia

Foreign Investment Restrictions

No specific measures have been introduced in response to COVID-19.

Restructuring & Insolvency

State support for distressed business is envisaged in the following ways:

Bankruptcy: The government recently issued Government Regulation in Lieu of Law No. 1 of 2020 on Policies on State Finance and Financial System Stability for the Mitigation of the Coronavirus Disease 2019 (COVID-19) Pandemic and/or for the Purpose of Handling the Threats that are Potentially Harmful to the National Economy and/or Financial System Stability ("COVID-19 Mitigation Regulation"), which gives the government the authority to implement national economy recovery programs. The recovery programs under the COVID-19 Mitigation Regulation may include support to distressed businesses. However, the programs will be further elaborated on in an implementing regulation. It remains to be seen how this will be implemented until the implementing regulation is issued.

The Coordinating Ministry for Economic Affairs recently announced that the government will provide support to micro, small and medium enterprises affected by the COVID-19 outbreak by, among others things, waiving the interest and providing a grace period for the payment of the principal of certain working capital loans for a maximum period of six months.

Company reorganization process: The government recently issued the COVID-19 Mitigation Regulation, which gives the government the authority to implement national economy recovery programs. The recovery programs under the COVID-19 Mitigation Regulation may include support to distressed businesses.

However, the programs will be further elaborated on in an implementing regulation. It remains to be seen how this will be implemented until the implementing regulation is issued.

The Coordinating Ministry for Economic Affairs recently announced that the government will provide support to micro, small and medium enterprises affected by the COVID-19 outbreak by, among others things, waiving the interest and providing a grace period for the payment of the principal of certain working capital loans for a maximum period of six months.

Currently there are no reforms to the insolvency regime envisaged.

Indonesia

Taxation

Corporate Income Tax

Corporate Income Tax rate for corporate taxpayers is reduced, as follows:

a. 22% for fiscal years 2020 and 2021

b. 20% starting from fiscal year 2022

There is an additional 3% Corporate Income Tax rate reduction for limited liability companies that trade at least 40% of their paid-up capital in the Indonesian stock exchange, and meets certain criteria that will be stipulated under a Government Regulation.

Taxpayers in certain industries under 440 business classifications, certain taxpayers obtaining Ease of Imports for Export Purposes (Kemudahan Impor Tujuan Ekspor/"KITE"), and certain taxpayers obtaining Ease of Imports for Export Purposes for Small and Medium Entrepreneurs (Kemudahan Impor Tujuan Ekspor - Industri Kecil dan Menengah/"KITE IKM") will be exempted from Income Tax Article 22 on import of goods. The incentive will be provided for six months, from April to September this year. The purpose of this incentive is to help these industries to maintain their imports.

In addition, import and purchase of certain goods required in relation to COVID-19 countermeasures by a government institution, a hospital or other parties is exempted from Income Tax Article 22. A third-party seller that sells certain goods required for COVID-19 countermeasures is also exempted from the obligation to withhold Income Tax Article 22. This exemption is applicable from April to September this year.

The goods that can be exempted from Income Tax Article 22 are medicines, vaccines, laboratory equipment, detection equipment, self-protection equipment, patient-care equipment and other supporting equipment required for COVID-19 countermeasures.

Income received from providing technical services, management services, consultancy services and other services is exempted from Income Tax Article 23. This is applicable for services provided to government institution, hospital or other parties in relation to COVID-19 countermeasures.

Taxpayers in certain industries under 102 business classifications, certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM will receive a reduction of Income Tax Article 25 of 30% for six months, from April to September this year. It is hoped that the incentive will help these industries as to increase exports.

Indonesia

Taxation

Social Security/ Employment / Wage Taxes / Personal Income Tax

The government will bear 100% of Income Tax Article 21 for employees' income of up to IDR 200 million for employees in certain manufacturing industries under 440 business classifications (including certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM) and obtain a tax ID number. The incentive will be provided for six months, from April to September this year. It is hoped that the incentive can increase income to maintain the purchasing power of employees in the manufacturing industry. An Indonesian taxpayer that receives payment from a government institution, a hospital or other parties in relation to services provided in relation to COVID-19 countermeasures is exempted from Income Tax Article 21 from April to September this year.

VAT

A facility will be provided for taxpayers in certain industries under 102 business classifications, certain taxpayers obtaining KITE, and certain taxpayers obtaining KITE IKM, and will be in the form of preliminary refunds. The facility will be provided for six months, from April to September this year. For exporters, there is no limit for the amount of VAT refund. For non-exporters, the limit will be IDR 5 billion. VAT facility is provided for government institutions, hospitals or other parties that imports or purchase taxable goods, use taxable services or import taxable services, in relation to COVID-19 from April to September this year. The goods that receive the VAT facility are medicines, vaccines, laboratory equipment, detection equipment, self-protection equipment, patient-care equipment and other supporting equipment required for COVID-19 countermeasures. The services that receive the VAT facility are construction services, consultation services, technical services, management services, rental services and other services required for COVID-19 countermeasures.

Excise / Import duties

The government grants an authority to Minister of Finance to amend lists of goods that are exempted from or given reduction of Import Duty based on their usage purposes.

Other taxes

Temporary waiver of hotel and restaurant consumption taxes in certain locations.

Indonesia

Taxation

Digital Services Tax

The government has introduced the tax treatments for the digital economy business. In general, transactions conducted through an electronic system will be subject to the following taxes:

VAT

Delivery of taxable intangible goods and taxable services from outside Indonesia within Indonesia is subject to VAT. The Minister of Finance can appoint the parties that are required to collect, pay and report the VAT, which can be foreign sellers, foreign service providers, foreign Providers of Electronic Systems used for Trading Activities ("PPMSE") or Indonesian PPMSE. To fulfil the VAT obligations, the appointed party can appoint a representative in Indonesia.

Income Tax or Electronic Transaction Tax

A foreign seller, a foreign service provider or a foreign PPMSE that has a significant economic presence in Indonesia may be deemed as a permanent establishment, and will be required to pay Income Tax. The criteria of having a significant economic presence will be stipulated under a Minister of Finance regulation.

If under an applicable tax treaty, the foreign seller, the foreign service provider or the foreign PPMSE that has a significant economic presence is not considered as a permanent establishment, Electronic Transaction Tax will be imposed on sales of goods or provision of services through electronic systems to buyers or service recipients located in Indonesia, whether done directly or through a foreign PPMSE.

Comments

Please contact us to discuss further the new fiscal facilities provided by the government, and to obtain more updates.

To read more about this topic, please see this alert:

More support from the Government of Indonesia in the form of import duty facilities in light of the COVID-19 outbreak

Foreign Investment Restrictions

On June 15, the Japanese Government published in the official gazette an amendment to the notification regarding the Foreign Exchange and Foreign Trade Act ("FEFTA"). The amendment added two new sectors, (1) the manufacturing business of pharmaceutical products against infectious diseases and (2) the manufacturing business of advanced medical equipment, as subjects to screening and prior notification in the FEFTA, and will be applied to investments on and after July 15. The Japanese Government will eventually update the list that categorizes the listed companies into those that are subject to post-investment report, those subject to prior notification, and those applicable for exemption.

To read more about this topic, please see this alert: Strengthened restrictions under new foreign direct investment rules

Debt

On 20 April 2020, the Cabinet of Japan announced an amended economic stimulus package of JPY 117.1 trillion (approximately US $1.1 trillion), which expands the size of the initial package of JPY 108 trillion (approximately US $989 billion) announced on 7 April 2020. The relevant stimulus package was submitted to the National Diet on the 27th and was successfully approved on 30 April. The package includes various policies aimed to cushion the economy from impacts of the COVID-19 pandemic, such as (i) expanded loan and loan guarantee programs that would make interest rate-subsidized (partial forgiveness of interests), no-collateral loans available to affected micro, small or medium-sized business operators and (ii) financial subsidies of up to JPY 2 million for corporations and JPY 1 million for sole proprietors. The application process began on 1 May, and eligible corporations or sole proprietors are able to fill out and submit the application form through the website (https://www.jizokuka-kyufu.jp/; only available in Japanese).

For more detailed explanation of the stimulus package and policies thereof, please refer to the links below (available only in Japanese).

https://www5.cao.go.jp/keizai1/keizaitaisaku/2020/20200420_taisaku.pdf

https://www.meti.go.jp/main/yosan/yosan_fy2020/hosei/pdf/hosei_yosan_pr.pdf

Apart from the proposed stimulus, some other COVID-specific measures are already in place, including:

a. The COVID-19 Special Loan Program (the "COVID-19 Special Loan Program"), which is available for OPEX and CAPEX funding to micro, small or medium-sized business operators.

Debt	b. Crisis Support Loans, under which the deferral of principal payments for the first five years is provided by The Development Bank of Japan (DBJ) and other financial institutions, are available to mid and large-sized companies. To be eligible for the loan, companies must have suffered (i) at least a 5 percent decrease in sales over the most recent one month period when compared with the same period of the previous year or the year before last, or (ii) some other similar situation. The FSA has issued requests that financial institutions increase efforts to provide financing support for companies experiencing sudden declines in sales as a result of COVID-19. Financial institutions have been providing support in response to and in line with the requests. There is no mandatory obligation for companies or their directors to file for insolvency proceedings except for directors of special legal entities. There has not been any dispensation from or amendment of insolvency laws.
Restructuring & Insolvency	Japan has put a number of measures in place to support distressed businesses, as set out in the Debt section above. Currently there are no other no dispensations or amendments in light of COVID-19 from an insolvency law perspective and not envisaged.
Equity	No (semi-) equity support measures have been announced.

Taxation

Corporate Income Tax

1. Extension of tax filing / tax payment deadlines

Extension of corporate income tax filing / tax payment deadlines may be granted for businesses impacted by COVID-19. Generally, applications to the National Tax Agency will be considered on a case-by-case basis. Based on the announcement from the National Tax Agency on 8 April 2020, an extension of corporate tax return filing / tax payment deadlines would be available by submitting a tax return, within two months after the event cited as the reason for extension ceases, by including prescribed words indicating that the delay in tax filing is due to COVID-19.

Events that could be treated as reasons for the extension include, for example, (i) inability to sustain the company's business operations ' (ii) the need to cut back on the company's business activities; and (iii) closing of the accounting book takes time, making it difficult for the company to meet filing deadlines, for the following reasons:

- a director or an employee of the company and/or a business contact remains indoors due to being unwell
- a director or an employee of the company and/or a business contact lives in an area where the local government requires workfrom home during weekdays
- a director or an employee of the company and/or a business contact works from home according to the company's decision to help prevent epidemic
- a director or an employee of the company and/or a business contact remains indoors in order to avoid the epidemic.

Extension of tax payment deadlines for the period from 1 February 2020 to 31 January 2021 without any collateral or interest tax is allowed if the company's revenue drops sharply (i.e., 20% compared to the previous year) and if the tax liability is considered difficult to pay at the time. To enjoy the extension, the taxpayer must file the application by 30 June 2020 or by the original due date, whichever is later.

Taxation

2. Loss carryback

Under the current rule, the loss carryback for one year can be availed only by an SME (a company (i) whose paid in capital is JPY 100 million or less, and (ii) which is not wholly controlled by a company whose paid-in capital is JPY 500 million or more). The scope will be expanded to include a company (i) whose paid-in capital is JPY 1 billion or less, and (ii) which is not wholly controlled by a company whose paid-in capital is over JPY 1 billion.

3. Tax credit for SMEs with regard to purchase of assets used for telework

For a company whose paid in capital is JPY 100 million or less, and who has obtained an approval from government for the investment plan for enhancing its business in advance, tax credit (7% or 10%) or instance depreciation with regard to expenditure of certain assets (e.g., used for telework) will be available.

Social Security/ Employment / Wage Taxes / Personal Income Tax

1. Social Contributions

According to the relevant laws, employers may apply for an extension of the social insurance premium payment deadline for up to two months if there is an inevitable reason.

2. Withholding tax

Extension for withholding tax payment deadlines may be granted to businesses impacted by COVID-19. Generally, applications to the NTA will be considered on a case-by-case basis. Based on the NTA's announcement on 8 April 2020 (as amended by NTA's announcement on 30 April 2020), an extension of withholding tax payment would be available by tax payment, within two months after the event cited as the reason for extension ceases, by including prescribed words on the tax payment slip to indicate that the delay in tax filing is due to COVID-19. Please refer to "Corporate Income Tax" for the events that could be cited as reasons for the extension.

Extension of tax payment deadlines for the period from 1 February 2020 to 31 January 2021 without collateral or interest tax is allowed if the company's revenue drops sharply (i.e., 20% compared to the previous year) and the tax liability is considered difficult to pay at the time. To enjoy the extension, the taxpayer must file the application by 30 June 2020 or by the original due date, whichever is later.

Taxation

VAT

1. Extension of tax filing / tax payment deadlines (for individuals)

Japanese Consumption Tax ("JCT") filing and payment deadlines (for individuals) have been extended to 16 April 2020. For individuals who are affected by COVID-19 and cannot meet the filing deadlines due to certain reasons, e.g., remaining indoors due to feeling unwell, filing and payment deadlines of the returns are further extended until they are able to file the return.

2. Extension of tax filing / tax payment deadlines (for enterprises)

Extension of JCT filing / payment deadlines may be granted to businesses impacted by COVID-19. Generally, applications to the National Tax Agency will be considered on a case-by-case basis. Based on the National Tax Agency's announcement on 8 April 2020, the JCT filing / payment may be extended by submitting a tax return, within two months after the event cited as the reason for extension ceases, by including prescribed words indicating that the delay in tax filing is due to COVID-19. Please refer to "CIT/EIT" above for the events that could be cited as reasons for the extension.

Tax payment deadlines for the period from 1 February 2020 to 31 January 2021 may be extended without collateral or interest tax if the company's revenue drops sharply (i.e., 20% compared to the previous year) and the tax liability is considered difficult to pay at the time. To enjoy the extension, the taxpayer must file the application within two months after the relevant laws are enforced or by the original due date, whichever is later (Note 1.

3. Voluntary consumption taxpayer

Generally, the taxpayer cannot become a voluntary consumption taxpayer unless it submits a tax report expressing its intent to become a voluntary consumption taxpayer before the end of the fiscal year in which the taxpayer wants to become a voluntary taxpayer. Permission of late filing the tax report to become a voluntary consumption taxpayer will be available for enterprises that experience a large drop in revenue (i.e., 50% compared to sales for the same month in the previous year). Once the tax report to become a voluntary consumption taxpayer is filed, the consumption taxpayer status cannot be terminated for two years. However, under the proposal, the consumption taxpayer status can be terminated within the fiscal year in which the tax report is filed.

Taxation

Excise / Import duties

Custom duty and Import VAT on an importation of aid supply for COVID-19 which is donated would be exempted.

Other Taxes

1. Extension of individual tax and gift tax filing / tax payment deadlines (for individuals)

Filing and payment deadlines for individual tax and gift tax have been extended to 16 April 2020. For individuals who are affected by COVID-19 and cannot meet the filing deadlines due to certain reasons, e.g., remaining indoors due to feeling unwell, filing and payment deadlines for the returns are further extended until they are able to file the return.

2. Exemption from stamp duty

The special loan agreement between banks, etc. and enterprises whose businesses suffer damages due to the COVID-19 situation will not be subject to the stamp duty.

3. Exemption or 50% exemption from fixed assets taxation

A 50% exemption from fixed assets taxation for 2021 is available to enterprises with a stated capital of JPY 100 million or less that have no more than 1,000 employees for three months in the period from February 2020 to October 2020 and whose sales decreased by 30% or more, but more than 50%, compared to the sales for the same three–month period in the previous year. If the company's sales decreased by 50% or more, exemption from the fixed assets taxation for 2021 is also available. To enjoy the exemption, the taxpayer must obtain permission from the Support Agency for Business Innovation with METI and file the fixed assets tax return by 31 January 2021.

Comments

In addition to the tax measures listed here, the Japanese government has introduced a number of economic measures in response to the COVID-19 pandemic. Please contact us to obtain updates.

Malaysia

Foreign Investment Restrictions

No specific measures have been introduced in response to COVID-19.

Debt

The Malaysian government has announced various stimulus packages in an effort to support businesses affected by the COVID-19 pandemic. Briefly, the key measures available for businesses are as follows:

a. Restructuring and rescheduling of loans: financial institutions will offer a deferment/moratorium of loan/financing repayments to individuals and small medium enterprises for a period of six months, with effect from 1 April 2020. Corporate borrowers may approach their financiers to request a similar deferment.

b. Bank facilities for small and medium enterprises (SMEs): SMEs (defined as (i) manufacturing firms with a sales turnover not exceeding MYR 50 million or not exceeding 200 full-time employees; or (ii) service or other sector firms with sales turnover not exceeding MYR 20 million or not exceeding 75 full-time employees) may apply to various participating banks for low/zero interest loans (e.g., Special Relief Facility, Agrofood Facility and Automation and Digitalization Facility).

c. MYR 3,000 grant to micro enterprises: micro enterprises with a sales turnover of less than MYR 300,000 or less than five full-time employees registered with the Inland Revenue Board may apply for a grant of MYR 3,000.

d. Tax-deduction for offering rent-free periods: landlords who offer SMEs a reduction of at least 30% of the rental fee on the SME's business premises will be eligible for an income tax deduction of an equivalent amount from April to June 2020.

e. Wage Subsidy Program: Companies hiring employees earning MYR 4,000 and below may apply to the Malaysian Social Security Organization (PERKESO) for the Wage Subsidy Program, whereby the government will contribute MYR 600 - MYR 1,200 per employee, depending on the total number of employees of the company for three months, subject to the company meeting various eligibility criteria.

Debt

f. Utilities discount: there is a 15% discount on sectors adversely affected by COVID-19 (e.g., hotel operators, travel and tour agencies, shopping malls, convention centers, offices of domestic flight companies). For all other sectors, there is a 2% discount from 1 April to 30 September 2020. In addition, the government has proposed a tiered rebate on electricity bills for all domestic users in Peninsular Malaysia up to a maximum consumption rate of 600 kWh.

g. Employer Advisory Services by the Employees' Provident Fund: the Employees' Provident Fund board will be providing Employer Advisory Services from 15 April 2020 to provide customized advisory support services for employers, specifically with regards to the employers' portion of EPF contributions during the current economic downturn.

h. Exemption from Human Resource Development Fund (HRDF): companies in the manufacturing, services, mining and quarrying sector with 10 or more employees are exempt from paying levy payments to the HRDF Fund for six months starting from April 2020. The levy on foreign workers is reduced by 25% for all companies with work permits that will expire in the period from 1 April to 31 December 2020.

To read more about this topic, please see this alert: Post-MCO - the national economic recovery plan (PENJANA) and recovery movement control order

Restructuring & Insolvency

The Malaysian government has proposed to increase the threshold of indebtedness for companies "unable to pay its debts" from MYR 10,000 to MYR 50,000 until 31 December 2020 to reduce winding-up petitions against companies. The period for responding to notices of demand will be extended from 21 days to six months.

Taxation

Corporate Income Tax

Manufacturing and other incentives

To attract foreign companies to relocate their businesses to Malaysia, the following tax incentives were announced under the National Economic Recovery Plan, or Pelan Jana Semula Ekonomi Negara ("PENJANA") on 5 June 2020:

a. Full income tax exemption (i.e., 0% tax rate) for new investment in manufacturing sectors – the company must relocate and commence its business in Malaysia within one year from the date of approval of the incentive:

   i. 10 years tax exemption where the company makes capital investments of between RM 300 million to RM 500 million within three years from the approval of the incentive;

   ii. 15 years tax exemption where the company makes capital investments of more than RM 500 million within three years from the approval of the incentive.

(Comments: Under the Promotion of Investments Act 1986, manufacturing companies involved in prescribed promoted activities and products may also be eligible to apply for a pioneer status tax incentive, which potentially offers an income tax exemption of up to 100% of the statutory income for a period of up to 10 years.)

b. 100% investment tax allowance – existing companies in Malaysia that relocate its overseas facilities into Malaysia will be able to apply for a 100% of investment tax allowance for 5 years.

c. Reinvestment allowance incentive to encourage the reinvestment activities of existing companies.

In respect of (a) and (b) above, under the announcement for Budget 2021 on 6 November 2020, the Malaysian government proposed to:

a. extend the application period for these incentives for another year until 31 December 2022 (instead of until 31 December 2021); and

b. extend the availability of these incentives (albeit with different tax rates) to companies in selected services sectors including companies adopting Industrial Revolution 4.0 and digitalization technology with investment that contribute to a significant multiplier effect in:

   i. the provision or development of technology solutions, based on substantial scientific or engineering challenges;

   ii. the provision of infrastructure and technology for cloud computing;

Taxation

iii. R&D or design and development activities;

iv. medical devices testing laboratory and clinical trials; and

v. any other services as determined by the Minister of Finance.

*The tax incentives for the services sector will take the form of a preferential income tax rate of between 0% to 10% for up to 10 years (for new companies) and a preferential income tax rate of 10% for up to 10 years (for existing companies with new services activities).

Countering COVID-19:

With effect from 1 July 2020, employers who implement flexible work arrangements ("FWAs"), or enhance existing FWAs, are entitled to further tax deductions.

Tax deductions may be claimed for expenses incurred by companies to provide employees with disposable personal protective equipment ("PPE") such as face masks. Expenses for non-disposable PPE products may be claimed as capital allowances.

Under PENJANA, there is an extension of the period and expansion of the scope of expenses allowed as tax deductions (or capital allowances, depending on the circumstances) that are incurred by businesses for COVID-19 prevention, such as arranging for employees to undertake COVID-19 testing and the purchase of PPE and thermal scanners.

Other measures and reliefs:

Qualifying hotel and tour operating businesses may claim further tax deductions for expenses incurred in training their employees under a training programme approved by the Ministry of Tourism, Arts and Culture.

Qualifying capital expenditures on machinery and equipment including information and communication technology equipment are given an accelerated capital allowance, which can be claimed for expenses incurred during the period from 1 March 2020 to 31 December 2021.

Tax deduction for qualifying expenditures up to MYR 300,000 incurred in renovating and refurbishing business premises during the period from 1 March 2020 to 31 December 2021

International shipping companies that establish and operate businesses in Malaysia may claim double deductions on pre-commencement expenditure for setting up regional offices in Malaysia. The incentive is applicable for applications received not later than 31 December 2021.

Taxation

Banking institution's income from interest or profit from loans or financing related to a 6-month moratorium on loans (i.e., to assist small and medium enterprises ("SMEs") and individuals) will only be taxable when the income is received after the moratorium period.

New SMEs established between 1 July 2020 and 31 December 2021 will be entitled to income tax rebate of up to RM 20,000 per year for three years of assessment.

Owners of private properties that reduce or waive rental payments for affected SME tenants are given a tax deduction equivalent to the amount of rental reduction for the months of April 2020 to September 2020, provided that the rental payments are reduced by at least 30% from the original rental rate.

SMEs may defer their income tax instalment payments for a period of three months beginning from 1 April 2020. Businesses in the tourism industry (e.g., travel agencies, hoteliers and airlines) may defer their monthly tax instalments for 9 months from 1 April 2020 to 31 December 2020.

Deadlines for the following have been extended in certain circumstances:

- certain returns, employer-employee filings, and other tax filings;
- certain deadlines applicable to Labuan entities;
- certain country-by-country reporting filings; and
- tax audits — responding to the Inland Revenue Board's queries.

Social Security/ Employment / Wage Taxes / Personal Income Tax

Tax deductions for donations to COVID-19 Fund (set up by the Ministry of Health and the National Disaster Management, Prime Minister's Department) and approved organisations or institutions.

Personal income tax relief of up to RM 1,000 for (i) accommodation expenses incurred in relation to premises registered with the Ministry of Tourism, Arts and Culture Malaysia, and (ii) entrance fees to tourist attractions, within the period from 1 March 2020 to 31 December 2021.

During the period from 1 April to 31 December 2020, the minimum employee contribution to the Employees Provident Fund will be reduced from 11% to 7%. Beginning from January 2021, the minimum employee contribution to the Employees Provident Fund will be 9% for a period of 12 months.

Malaysia

Taxation

Effective 1 June 2020, personal income tax relief of up to RM 2,500 on the purchase of handphone, notebook and tablet.

Effective 1 July 2020, income tax exemption of up to RM 5,000 for employees who receive a handphone, notebook and tablet from their employer.

For YAs 2020 and 2021, the personal income tax relief for parents on childcare service expenses is increased from RM 2,000 to RM 3,000.

Withholding tax exemption for early withdrawal of contributions of up to RM1,500 from Account B of Private Retirement Scheme from 30 April 2020 to 31 December 2020.

Other measures and reliefs:

Exemptions from service tax on the provision of accommodation and other related services by operators of accommodation premises, applicable to the period from 1 March 2020 to 30 June 2021.

Sales tax exemption from 15 June 2020 to 31 December 2020, in respect of passenger cars (full sales tax exemption on locally assembled cars, and 50% sales tax exemption on imported cars).

A 50% remission of penalties on the late payment of SST due and payable from 1 July 2020 to 30 September 2020.

VAT

Countering COVID-19:

Sales tax exemption on face masks (i.e., one ply, two ply, three ply and N95), with effect from 23 March 2020 until the end of the pandemic.

Sales tax exemption on PPE imported for the purpose of donating to the Ministry of Health with effect from 25 March 2020 until the end of the pandemic.

Manufacturers of hand sanitizers may be eligible for sales tax exemptions on raw materials (i.e., undenatured ethyl alcohol and denatured ethyl alcohol).

Malaysia

Taxation

Excise / Import duties

Countering COVID-19:

Import duty exemption on face masks (i.e., one ply, two ply, three ply and N95), with effect from 23 March 2020 until the end of the pandemic.

Import duty exemption on PPE imported for the purpose of donating to the Ministry of Health with effect from 25 March 2020 until the end of the pandemic.

Manufacturers of hand sanitizers may be eligible for import duty and excise duty exemptions on raw materials (i.e., undenatured ethyl alcohol and denatured ethyl alcohol).

Other measures and reliefs:

Port operators will be given import duty and sales tax exemptions on imported or locally purchased of equipment and machinery used directly in port operations from 1 April 2020 to 31 March 2023.

Extension of the scope of value added activities that may be carried out in a licensed manufacturing warehouse and free industrial zone.

A 100% export duty exemption on the exportation of crude palm oil, crude palm kernel oil and refined bleached deodorised palm kernel oil, from 1 July 2020 to 31 December 2020.

Other taxes

Stamp duty:

Stamp duty exemption of 100% on loan agreements arising from the restructuring and rescheduling of business loans between borrowers affected by COVID-19 and financial institutions, provided that the original loan agreement has been duly stamped. The exemption is applicable to the period from 1 March 2020 to 31 December 2020.

SMEs are granted stamp duty exemption in respect of any instrument executed for purposes of mergers and acquisitions, between 1 July 2020 and 30 June 2021.

Malaysia

Taxation

Home Ownership Campaign – the following stamp duty exemptions will be granted for the purchase of residential homes priced between RM 300,000 to RM 2.5 million:

- stamp duty exemption on the instrument of transfer, limited to the first RM 1 million of the price of the home; and
- full stamp duty exemption on the relevant loan agreement.

In order to be eligible for the stamp duty exemptions, the developer must provide at least a 10% discount and the relevant sale and purchase agreements must be executed within the period from 1 June 2020 to 31 May 2021.

Real property gains tax ("RPGT"):

Gains arising from the disposal of residential homes within the period from 1 June 2020 to 31 December 2021 by Malaysian citizens will not be subject to RPGT, up to a maximum disposal of three units of residential homes per individual.

The deadlines for the submission of certain real property gains tax filings and payments have been extended.

Tourism tax:

A tourism tax exemption applies with effect from 1 July 2020 to 30 June 2021.

Comments

The listed measures are subject to certain conditions, and there may be changes from time to time. Please check with us for more details, and to obtain updates on new measures.

To read more about this topic, please see this alert:
Post-MCO - the national economic recovery plan (PENJANA) and recovery movement control order

Tax highlights of the National Economic Recovery Policy (PENJANA)

Philippines

Foreign Investment Restrictions

No specific measures have been introduced in response to COVID-19.

Debt

The government has implemented programs of assistance, such as a Small Business Wage Subsidy Program for affected establishments.

Under the Implementing Rules of the Bayanihan to Heal as One Act ("Bayanihan I Act"), all covered institutions, including lenders and banks, are to implement a 30-day grace period for all loans with principal or interest falling due within the period of enhanced community quarantine, without incurring interest on interest, penalties, fees and other charges. The borrower may pay the accrued interest for the 30-day grace period on a staggered basis over the remaining life of the loan.

The same law provides that the president is authorized to move statutory deadlines for payment of taxes, fees and other charges required by law, and to grant any benefit in order to ease the burden on individuals under the Enhanced Community Quarantine in place by reason of the COVID-19 pandemic.

The government has provided a grace period of at least 30 days for amounts due on commercial leases for micro, small and medium enterprises affected by the enhanced community quarantine. The rent falling due during the period of quarantine will be amortized for the next six months following the lifting of the quarantine, without interest, fees or penalties.

The president may also provide for a minimum 30-day grace period for the payment of residential rents falling due within the period of enhanced community quarantine, without incurring interests, penalties, fees and other charges.

Recently, the Bayanihan to Recover as One Act ("Bayanihan II Act") was signed into law. It continues to mandate all banks, quasi-banks, financing companies, lending companies, real estate developers, insurance companies providing life insurance policies, pre-need companies, entities providing in-house financing for goods and properties purchased, asset and liabilities management companies and other financial institutions, public and private, including the Government Service Insurance System ("GSIS"), the SSS and Home Development Mutual Fund ("PAG-IBIG Fund"), to implement a one-time sixty (60)-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, including, but not limited to, salary, personal, housing, commercial, and motor vehicle loans,

Debt

amortizations, financial lease payments and premium payments/ as well as credit card payments, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. All loans may be settled on staggered basis without interest on interests, penalties and other charges until December 31, 2020 or as may be agreed upon by the parties. The parties may also opt to mutually agree on a grace period longer than 60 days.

Furthermore, this new law also continues to require the provision of a minimum of thirty (30)-day grace period on residential rents and commercial rents of lessees not permitted to work, and micro-, small-, and medium-scale enterprises ("MSMEs") and cooperatives ordered to temporarily cease operations, falling due within the period of the community quarantine, without incurring interests, penalties, fees, and other charges. All amounts due within the period of the community quarantine shall be amortized in equal monthly installments until December 31, 2020 without any interests, penalties and other charges. No increase in rent shall be imposed during the same period. The minimum thirty (30)-day grace period shall be reckoned from the date of the lifting of the enhanced community quarantine or modified enhanced community quarantine.

The Bayanihan II Act also requires all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of thirty (30)-day grace period for the payment of utilities falling due within the period of the enhanced community quarantine or modified enhanced community quarantine without incurring interests, penalties, and other charges. After the grace period, unpaid residential MSMEs and cooperatives utility bills may be settled on a staggered basis payable in not less than three (3) monthly installments, subject to the procedural requirements of the concerned regulatory agencies in the imposition of such installment plan without interests, penalties, and other charges. The covered institutions may offer less onerous payment terms, with the consent of their clients subject to the approval of their respective regulators. In the case of the electric power sector, the minimum thirty (30) day-grace period and staggered payment without interests, penalties and other charges shall apply to all payments due within the period of the community quarantine in the entire electric power value chain to include generation companies, the transmission utility, and distribution utilities.

Last November 2020, House Bill 8059, or the Bayanihan to Rebuild as One Act ("Bayanihan III"), was filed in Congress. It sought to provide P247 billion in emergency response and economic recovery programs. By December 2020, another version of Bayanihan 3, known as Senate Bill 1953, was filed in the Senate. The Senate version calls for a budget of P485 billion. Among the biggest allocations include the P100 billion for worker subsidies, P100 billion for the capacity building of critically impacted sectors, and P70 billion for additional social amelioration to affected households.

Philippines

Debt

By 11 April 2021, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act) will be effective. Under the CREATE Law, corporate income tax rate is lowered from 30% to 25% beginning 1 July 2020. Where the corporation's net income does not exceed PHP 5 million and its total assets do not exceed PHP 100 million (excluding land where the business is situated), the tax rate shall be 20%. For nonresident foreign corporations, the tax rate shall be 25% beginning 1 January 2021. The minimum corporate income tax shall be imposed at the rate of 1% (previously 2%) beginning 1 July 2020 until 30 June 2023. The applicable income tax rate for proprietary educational institutions and hospitals shall be 1% (previously 10%) imposed on their taxable income beginning 1 July 2020 until 30 June 2023. Regional operating headquarters shall be subject to the regular corporate income tax beginning 1 January 2022. VAT-exempt taxpayers, whose gross annual sales do not exceed PHP 3 million, shall be subject to 1% tax (previously subject to 3% percentage tax) on their gross quarterly sales or receipts beginning 1 July 2020 until 23 June 2023.

The CREATE Law also imposes an income tax holiday (ITH) of four to seven years, depending on location and industry priorities, followed by a special corporate income tax rate of 5% based on gross income earned or enhanced deductions for 10 years on export enterprises. Furthermore, such enterprises shall be granted duty exemption and VAT exemption on importations and VAT zero rating on local purchases. Specific types of reorganizations involving corporations will also be covered by tax-free exchanges.

Apart from the 30-day grace period, the Securities and Exchange Commission encourages financing companies, lending companies, and microfinance non-governmental organizations to implement measures such as the following:

a) lowering of interest rates;

b) waiver or reduction of penalties, charges and other fees;

c) payment of holiday;

d) debt consolidation;

e) extending the term of the loans; and

f) provision of flexible payment schedules

Exemption from documentary stamp tax shall be granted to those who offered credit extension, credit restructuring, and micro-lending.

Philippines

Debt

The Bangko Sentral ng Pilipinas (BSP) has allowed banks and other financial institutions to utilize their Basel III-mandated capital conservation and liquidity buffers during this pandemic. The Monetary Board also reduced the interest rate on BSP's overnight reverse repurchase (RRP) facility and overnight lending and deposit facilities. It also reduced the reserve requirements ratio. This is meant to encourage lending in different sectors. Measures that aim to help MSMEs were also approved by the Board. Loans granted to MSMEs will be part of a bank's compliance with reserve requirements.

The Philippine Guarantee Corporation (PhilGuarantee) created the Credit Guarantee Program for MSMEs. It seeks to provide guarantee coverage of 50% principal loan extended by PhilGuarantee-accredited lending banks and financial institutions. The Bayanihan to Recover as One Act further requires the issuance of an expanded government guarantee program for non-essential businesses, to ease current rules and regulations and give preference to critically impacted businesses, MSMEs, cooperatives and activities that support the Department of Health's initiatives towards ensuring an adequate and responsive supply of health care services, and to guarantee the loan portfolio of partner financial institutions of eligible MSME and cooperative loan.

The Department of Labor has launched a COVID-19 Adjustment Measures Program that provides aid to employees of affected establishments. It has also allowed the deferment of payment of holiday pay for certain holidays in order to help business establishments.

The Department of Trade and Industry has provided for guidelines on refund of payments made for events affected by the pandemic. This applies to businesses who may have prepared for work-related events, where full or partial pre-payments were made.

The Department of Energy also provided an extended grace period to pay electric bills falling within the community quarantine without incurring interest, penalties, fees, and other charges. The unpaid bills will be amortized four (4) months following the end of the quarantine.

Under the Bayanihan II Act, the Small Business Corporation (SBCorp) is mandated to expand its existing loan programs for MSMEs, cooperatives, hospitals, tourism and OFWs affected by the COVID-19 pandemic and by other socioeconomic reversals, through a combination of increasing available loanable funds, reducing documentary requirements, increasing maximum loan amounts per borrower, reducing interest rates, extending loan terms, utilization of financial technologies to expand reach and increase access and set fast turn-around loan processing time; and allowing the use of the loan proceeds for payroll costs, materials and suppliers, mortgage payments, rent, utilities, including fuel and storage, creation of new supportive businesses, re-purposing of existing business capital, any other business debt obligations that were incurred before the covered period or acquisition of new technologies and systems to adjust business processes for resiliency.

Debt

The law also allows the Department of Transportation (DOTr) to be authorized to extend the following assistance to critically impacted businesses in the transportation industry, including transport cooperatives:

1. Provision of direct cash or loan interest rate subsidy;
2. Provision grants for applicable regulatory fees;
3. Allowing the substitution of refund option to travel vouchers;
4. Provision of grants for fuel subsidy and/or digital fare vouchers, as may be necessary
5. Provision of grants for training, equipment, facilities, test kits and necessary personnel, on coping with increase risks arising from infectious diseases.

Similarly, the law directs the Department of Tourism to assist critically impacted businesses that are tourism enterprises, including tourism-oriented barangay micro business enterprises, cooperatives engaged in tourism-related activities or other members of the informal sector in the tourism economy in providing loan interest rate subsidies.

Furthermore, the law seeks to implement a program which would: (1) fast track the approval of all pending and new applications for housing loans, permits and licenses by simplifying the requirements and procedure; and (2) accommodate and prioritize critically impacted home buyers who may want to shift from private bank financing to Pag-IBIG home financing with simplified requirements through the Department of Human Settlements and Urban Development (DHSUD) program and its key shelter agencies.

The BSP is also encouraged to allow private banks and financial institutions to: (1) reallocate any unutilized loanable funds to housing loans; and (2) to grant subsidy to the home loan borrowers at the rate equivalent to the gross receipt tax imposed on banks and financial institutions on their interest income.

To read more about this topic, please see this alert: Philippine economic stimulus now in effect

Philippines

Restructuring & Insolvency

Measures have been put in place to assist distressed business, see the Debt section above.

In response to the COVID-19 crisis, several bills are pending in Congress that have been created to serve as an economic stimulus.

The Accelerated Recovery and Investments Stimulus for the Economy (ARISE) Bill proposes the allotment of a P1.3-trillion fund to counter economic distress. Under the bill, wage subsidies amounting to 50-75% of the basic salary costs of a non-essential business will be provided. Banks and other financial institutions are encouraged to extend the term or agree to the restructuring of existing consumer loans of employees of non-essential businesses, commercial loans of non-essential businesses, and even local government loans. Institutions which provide these measures will be entitled to regulatory reliefs to be determined by the Bangko Sentral ng Pilipinas (BSP). The bill will also provide for regulatory relief for business entities in relation to taxes, fines, and filing deadlines. Other measures for micro, small and medium enterprises (MSMEs) will also be implemented to help such businesses thrive.

The COVID-19 Unemployment Reduction Economic Stimulus (Cures) Act of 2020 is one of the later bills created by Congress. It also seeks to allot a fund to finance constructions project in the health, education, agriculture, local roads, and livelihood sectors. It seeks to provide employment to Filipinos who are in need of jobs due to the lockdown.

There is also a bill pending in the Lower House in Congress providing for stiffer penalties for the violation of the Rehabilitation & Insolvency Act (FRIA). As it stands, the law provides for a penalty of a fine of not more than PHP 1 million and imprisonment for not less than three months and not more than five years. The pending bill proposes that the period of imprisonment be increased to not less than one year and not more than five years. The bill is presently pending with the Lower House's Committee on Banks and Financial Intermediaries.

House Bill 6795 or the proposed Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act was passed last July by the House Defeat COVID-19 Committee. The bill proposes a ₱55-billion allocation to the Philippine Guarantee Corporation (PGC), Development Bank of the Philippines (DBP), and Land Bank of the Philippines (Landbank). It also seeks to grant privileges or exemptions to these entities in order to help them grant more loans to MSMEs. According to the latest data from the Philippine Statistics Authority, MSMEs comprise 99.52% of the registered businesses in the Philippines as of 2018. Furthermore, they provided 5.7 million jobs (or 63.19%) of the Philippine's total employment in 2018. The bill is currently still with the House Committee on Appropriations.

Philippines

Restructuring & Insolvency

Last November 2020, House Bill 8059, or the Bayanihan to Rebuild as One Act (Bayanihan III), was filed in Congress. It sought to provide P247 billion in emergency response and economic recovery programs. By December 2020, another version of Bayanihan 3, known as Senate Bill 1953, was filed in the Senate. The Senate version calls for a budget of P485 billion. Among the biggest allocations include the P100 billion for worker subsidies, P100 billion for the capacity building of critically impacted sectors, and P70 billion for additional social amelioration to affected households.

On 16 February 2021, President Rodrigo Duterte signed into effectivity Republic Act No. 11523 or the Financial Institutions Strategic Transfer (FIST) Act. The FIST Act allows financial institutions (FIs), including the Bangko Sentral ng Pilipinas (BSP), banks, financing companies, investment houses, lending companies, insurance companies, government financial institutions, government-owned or -controlled corporations, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities, to offload non-performing loans and other bad assets to a Financial Institutions Strategic Transfer Corporation (FISTC).

The transfer of non-performing loans and real and other properties acquired by FIs (NPAs) from the FI to a FISTC, and from a FISTC to a third party or dation in payment by the borrower or by a third party in favor of an FI or in favor of a FISTC shall be exempt from a) documentary stamp tax on the above-mentioned transfer of NPAs; b) capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets; and c) value-added tax or gross receipts tax imposed on the transfer of NPAs. This transfer shall also be subject to a) fifty percent (50%) of the applicable registration and transfer fees on the transfer of real estate mortgage and security interest to and from the FISTC; b) fifty percent (50%) of the filing fees for any foreclosure initiated by the FISTC in relation to any NPA acquired from an FI; and c) fifty percent (50%) of the land registration fees. These privileges and fees also extends to any individual, subject to the following conditions: a) the transaction is limited to either a single family residential unit or an empty lot, acquired by an FI in settlement of loans and receivables, or to NPL secured by a real estate mortgage on a residential unit or an empty lot; and b) there shall only be one (1) transaction consisting of one (1) residential unit or empty lot per individual.

The FISTC shall also be exempt from income tax on net interest income, documentary stamp tax and mortgage registration fees on new loans in excess of existing loans extended to borrowers with secured or unsecured loans, receivables, and other financial assets of similar nature, including restructured loans, whose principal and/or interest have remained unpaid for at least ninety (90) days after they have become past due or any of the events of default under the loan agreement has occurred (NPLs) acquired by the FISTC. In case of capital infusion by the FISTC to the borrower with NPLs, the FISTC shall also be exempt from the documentary stamp tax.

Philippines

Restructuring & Insolvency

By 11 April 2021, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act) will be effective. Under the CREATE Law, corporate income tax rate is lowered from 30% to 25% beginning 1 July 2020. Where the corporation's net income does not exceed PHP 5 million and its total assets do not exceed PHP 100 million (excluding land where the business is situated), the tax rate shall be 20%. For nonresident foreign corporations, the tax rate shall be 25% beginning 1 January 2021. The minimum corporate income tax shall be imposed at the rate of 1% (previously 2%) beginning 1 July 2020 until 30 June 2023. The applicable income tax rate for proprietary educational institutions and hospitals shall be 1% (previously 10%) imposed on their taxable income beginning 1 July 2020 until 30 June 2023. Regional operating headquarters shall be subject to the regular corporate income tax beginning 1 January 2022. VAT-exempt taxpayers, whose gross annual sales do not exceed PHP 3 million, shall be subject to 1% tax (previously subject to 3% percentage tax) on their gross quarterly sales or receipts beginning 1 July 2020 until 23 June 2023.

The CREATE Law also imposes an income tax holiday (ITH) of four to seven years, depending on location and industry priorities, followed by a special corporate income tax rate of 5% based on gross income earned or enhanced deductions for 10 years on export enterprises. Furthermore, such enterprises shall be granted duty exemption and VAT exemption on importations and VAT zero rating on local purchases. Specific types of reorganizations involving corporations will also be covered by tax-free exchanges.

Equity

The Philippine government, through the Department of Finance, has publicly supported the passage of pending legislation which seeks to create a special holding company which will be used to invest in "strategically important companies" (SICs).

Under House Bill No. 7749 or the Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill, two government financial institutions, namely the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP), will be authorized to invest in or enter into a joint venture agreement, to incorporate a special holding company which shall invest in corporations engaged in strategically important industries or sectors that are experiencing temporary solvency issues because of the COVID-19 pandemic. Such investment shall be in the form of (i) limited equity participation by subscription or acquisition of shares; (ii) execution of convertible loans or purchase of convertible bonds; and/or (iii) investment in such other securities as may be issued by the SICs, acceptable to the LBP and DBP.

The current draft of the GUIDE Bill provides funding of PhP 10 Billion (~USD 208.8 Million) but legislators are keen on increasing this amount.

As of 21 May 2021, the GUIDE Bill had been approved by the House of Representatives and is currently pending deliberations in the Senate.

Philippines

Taxation

Corporate Income Tax

The Bureau of Internal Revenue (BIR) has extended deadlines and has issued guidelines for tax e-filings/filings, and payments of internal revenue taxes. Encouragement to use electronic filing facilities of the BIR for taxpayers not mandated to use the online facilities.

Permission to pay internal revenue taxes at nearest authorized agent banks notwithstanding Revenue District Office (RDO) jurisdiction, or at the nearest RDO despite existence of authorized agent banks.

Liberalisation of the grant of incentives for the manufacture or importation of healthcare equipment and supplies.

Full deductibility of COVID-19-related donations (including cash, healthcare equipment and supplies, food and water relief, and the use of real and personal property) in certain circumstances.

Social Security/ Employment / Wage Taxes / Personal Income Tax

N/A

VAT

The BIR has extended deadlines for the filing of VAT declarations and administrative claims for VAT credits and refunds. The 90-day period for processing VAT refund claims is suspended and the counting of the number of processing days shall resume after the Enhanced Community Quarantine (ECQ) is lifted. VAT exemption on the importation of healthcare equipment and supplies including personal protective equipment (PPEs), laboratory equipment and reagents, consumables, and testing kits.

VAT exemption on the importation of materials needed to make healthcare equipment and supplies.

Permission to pay internal revenue taxes at nearest authorized agent banks notwithstanding Revenue RDO jurisdiction, or at the nearest RDO despite existence of authorized agent banks.

Liberalisation of the grant of incentives for the manufacture or importation of healthcare equipment and supplies.

Issuance of temporary electronic copies of VAT Certificates and VAT Identification Cards to resident foreign missions during the implementation of the ECQ in the Philippines, and mandating business establishments to grant a point-of-sale VAT exemption upon presentation of such certificates and identification cards.

Philippines

Taxation

Excise / Import duties

Exemption from excise tax and other fees on the importation of healthcare equipment and supplies including PPEs, laboratory equipment and reagents, consumables, and testing kits. Exemption from excise tax and other fees on the importation of materials needed to make healthcare equipment and supplies.

Exemption from the requirement to obtain Authority to Release Imported Goods for importations of healthcare equipment and supplies deemed as critical or needed to address the current public health emergency.

Liberalisation of the grant of incentives for the manufacture or importation of healthcare equipment and supplies.

Other taxes

The BIR has extended deadlines for capital gains tax, donor's tax, estate tax and other tax filings. Extension of deadline for application for tax amnesty on delinquencies of tax liabilities covering taxable year 2017 and prior years.

- Extension of deadline for filing of Certificate of Residency for Tax Treaty Relief Forms.
- Exemption from donor's tax of donations and gifts to the Government, certain agencies and certain organisations of imported healthcare equipment and supplies, as well as materials needed to make such equipment and supplies.
- Exemption from donor's tax of qualified donations given for the sole and exclusive purpose of combatting COVID-19 during the period of the state of national emergency.
- Stamp duty exemption for certain qualifying loan documents falling due within the period of the ECQ.
- Extension of time for application of new Authority to Print receipts/invoices and extension of use of expired principal and supplementary receipts/invoices.
- Permission to pay internal revenue taxes at nearest authorized agent banks notwithstanding RDO jurisdiction, or at the nearest RDO despite existence of authorized agent banks.

Philippines

Taxation

Tax Disputes and Remedies

- The BIR has extended the deadline for the submission and/or filing of certain documents and correspondences in relation to tax audits and disputes.
- Suspension of the running of the statute of limitations for assessment and collection pursuant to the Tax Code.

Comments

It is expected that more tax and economic measures will be introduced. Please contact us to obtain updates.

To read more about this topic, please see this alert:

Acceptance of payment of internal revenue taxes during the enhanced community quarantine
BIR further extends due dates for submission of and/or filing of certain documents and returns
Philippine economic stimulus now in effect

Singapore

Foreign Investment Restrictions

COVID-19 has had no impact on Singapore's foreign investment review regime.

Debt

The COVID-19 (Temporary Measures) Act 2020 ("COVID-19 Act") came into force on 20 April 2020 and includes provisions relating to temporary relief for (i) inability to perform contracts and (ii) financially distressed individuals, firms and other businesses.

The Monetary Authority of Singapore also announced that banks and finance companies in Singapore have committed to help ease the financial strain on small and medium-sized enterprises (SMEs) arising from the need to make principal repayments on their loans during this period, in view of the temporary cash flow constraints that many may face.

SMEs may opt to defer principal payments on their secured term loans up to 31 December 2020, subject to banks' and finance companies' assessment of the quality of the SMEs' security.

SMEs will also be able to extend the tenure of their loans by up to the corresponding principal deferment period, if they wish. This relief will be available to SMEs that continue to pay interest and are in good standing with their banks and finance companies (not more than 90 days past due as of 6 April 2020).

Banks and finance companies may also apply for low-cost funding through a new MAS SGD Facility for loans granted under Enterprise Singapore's SME Working Capital Loan scheme and Temporary Bridging Loan Programme.

Banks and finance companies can apply for these funds until the end of December 2020, provided they commit to pass on the savings in funding cost to their SME borrowers. This initiative will potentially lower the interest rates charged to eligible SME borrowers.

Singapore

Restructuring & Insolvency

Support for distressed business is found in the COVID-19 (Temporary Measures) Act 2020 ("COVID-19 Act"). The provisions in the COVID-19 Act relating to temporary relief for (i) inability to perform contracts and (ii) financially distressed individuals, firms and other businesses came into force on 20 April 2020.

More specifically:

Winding-Up: Stay of winding-up proceedings

For a prescribed period, i.e., six months commencing 20 April 2020, applications for winding-up cannot be made against a contracting counterparty or that counterparty's guarantor. However, the following conditions apply:

a. the contract must be a type listed in the Schedule to the COVID-19 Act

b. the contract must have been entered into before 25 March 2020

c. the obligation must be one that is to be performed on or after 1 February 2020

d. the inability to perform the obligation must be, to a material extent, caused by a COVID-19 event

e. the counterparty must serve a notification for relief in accordance with the COVID-19 Act.

The contracts listed in the Schedule are:

a. a performance bond relating to a construction or supply contract

b. a hire purchase agreement or conditional sales agreement for plant, machinery or fixed assets located in Singapore and used for manufacturing, production or other business purposes, or a commercial vehicle

c. event contracts

d. tourism related contracts

e. construction or supply contracts

f. a lease or license of non-residential commercial immoveable property

Restructuring & Insolvency

g. a contract for a loan facility by a bank or finance company licensed under the Singapore Banking Act or the Singapore Finance Companies Act made available to an enterprise and that is secured against commercial or industrial immovable property in Singapore or plant, machinery or fixed asset located in Singapore used for manufacturing, production or other business purposes.

An enterprise means (1) an entity having annual turnover (or group annual turnover) of less than SGD 100 million, and (2) which is 30% or more directly or indirectly owned by Singapore citizens and residents.

Notwithstanding the above, a contract in relation to which Section 4 of the International Interests in Aircraft Equipment Act (Cap. 144B) applies will not constitute a scheduled contract.

Where the counterparty serves such a notice and the aggrieved party wishes to challenge the availability of the COVID-19 Act's protections to the counterparty, they can apply for an assessor's determination of the matter.

Higher threshold for statutory demands

In addition, during a prescribed period (i.e., six months commencing 20 April 2020), the monetary thresholds of and deadlines to fulfil statutory demands will also be raised. The monetary threshold for a statutory demand against a Singaporean company will be raised from SGD 10,000 to SGD 100,000, and the statutory deadline to fulfil the statutory demand will be extended from three weeks to six months. However, statutory demands served on a Singaporean company prior to the commencement of the relevant provisions in the COVID-19 Act will not be subject to these revisions.

Modified requirements for the offence of insolvent trading

Ordinarily, directors of a near-insolvent company that continues trading may be exposed to civil and criminal liability if there was no reasonable expectation of the company being able to make payment (i.e., the offence of insolvent trading) or if there was an intent to defraud (i.e., the offence of fraudulent trading).

However, the COVID-19 Act provides that the offence of insolvent trading will not be made out if a debt is in the ordinary course of the company's business, during the prescribed period of six months commencing 20 April 2020 and before the appointment of a judicial manager or liquidator of the company.

Singapore

Restructuring & Insolvency

Judicial Management: Stay of judicial management proceedings

For a prescribed period, i.e., six months commencing 20 April 2020, applications for a judicial management order cannot be made against a contracting counterparty or that counterparty's guarantor. However, the following conditions apply:

a. the contract must be a type listed in the Schedule to the COVID-19 Act

b. the contract must have been entered into before 25 March 2020

c. the obligation must be one that is to be performed on or after 1 February 2020

d. the inability to perform the obligation must be, to a material extent, caused by a COVID-19 event

e. the counterparty must serve a notification for relief in accordance with the COVID-19 Act

The contracts listed in the Schedule are:

a. a performance bond relating to a construction or supply contract

b. a hire purchase agreement or conditional sales agreement for plant, machinery or fixed assets located in Singapore and used for manufacturing, production or other business purposes, or a commercial vehicle;

c. event contracts

d. supply contracts

e. tourism related contracts

f. construction or supply contracts

g. a lease or license of non-residential commercial immoveable property

h. a contract for a loan facility by a bank or finance company licensed under the Singapore Banking Act or the Singapore Finance Companies Act made available to an enterprise and that is secured against commercial or industrial immovable property in Singapore or plant, machinery or fixed asset located in Singapore used for manufacturing, production or other business purposes.

Restructuring & Insolvency

An enterprise means (1) an entity having annual turnover (or group annual turnover) of less than SGD 100 million, and (2) which is 30% or more directly or indirectly owned by Singapore citizens and residents.

Notwithstanding the above, a contract in relation to which Section 4 of the International Interests in Aircraft Equipment Act (Cap. 144B) applies will not constitute a scheduled contract.

Where the counterparty serves such a notice and the aggrieved party wishes to challenge the availability of the COVID-19 Act's protections to the counterparty, they can apply for an assessor's determination of the matter.

Scheme of Arrangement: Scheme of arrangement proceedings

For a prescribed period, i.e., six months commencing 20 April 2020, applications to convene a meeting of creditors to be summoned to approve a scheme of arrangement in relation to a contracting counterparty or that counterparty's guarantor cannot be brought.

However, the following conditions apply:

a. the contract must be a type listed in the Schedule to the COVID-19 Act

b. the contract must have been entered into before 25 March 2020

c. the obligation must be one that is to be performed on or after 1 February 2020

d. the inability to perform the obligation must be, to a material extent, caused by a COVID-19 event

e. the counterparty must serve a notification for relief in accordance with the COVID-19 Act

The contracts listed in the Schedule are:

a. a performance bond relating to a construction or supply contract

b. a hire purchase agreement or conditional sales agreement for plant, machinery or fixed assets located in Singapore and used for manufacturing, production or other business purposes, or a commercial vehicle

c. event contracts

Restructuring & Insolvency

d. tourism related contracts

e. construction or supply contracts

f. a lease or license of non-residential commercial immoveable property

g. a contract for a loan facility by a bank or finance company licensed under the Singapore Banking Act or the Singapore Finance Companies Act (made available to an enterprise and that is secured against commercial or industrial immovable property in Singapore or plant, machinery or fixed asset located in Singapore used for manufacturing, production or other business purposes.

An enterprise means (1) an entity having annual turnover (or group annual turnover) of less than SGD 100 million, and (2) which is 30% or more directly or indirectly owned by Singapore citizens and residents.

Notwithstanding the above, a contract in relation to which Section 4 of the International Interests in Aircraft Equipment Act (Cap. 144B) applies will not constitute a scheduled contract.

Where the counterparty serves such a notice and the aggrieved party wishes to challenge the availability of the COVID-19 Act's protections to the counterparty, they can apply for an assessor's determination of the matter.

Equity

No (semi-) equity measures have been announced.

To read more about this topic, please see this alert: Singapore introduces fourth stimulus package to mitigate COVID-19 induced economic shock

Taxation

Corporate income tax

Singapore has introduced a number of temporary enhancements to the income tax regime to help local businesses with their cash flow in the short term, as follows:

- taxpayers may carry back current year unabsorbed capital allowances and trade losses for the year of assessment (YA) 2020 to offset against their assessable income for up to three immediate preceding YAs (capped at SGD 100,000), rather than just the immediate preceding YA;
- taxpayers who incur capital expenditure to acquire plant and machinery during the basis period for YA 2021 can exercise an irrevocable option to write off the expenditure incurred over two years, at 75% of the cost incurred in YA 2021 and the remaining 25% in YA 2022;
- taxpayers who incur qualifying expenditure for renovation and refurbishment during the basis period for YA 2021 can exercise an irrevocable option to claim a deduction for such expenses in one YA instead of over three YAs (subject to the existing cap of SGD 300,000 for every relevant period of three consecutive YAs);
- companies are granted a corporate income tax rebate of 25% of tax payable for YA 2020 (capped at SGD 15,000);
- companies that pay corporate income tax by GIRO can automatically enjoy an additional two months of interest-free instalments when they file their estimated chargeable income within three months from their financial year-end; and
- companies with corporate income tax payments due in April, May and June 2020 will be granted an automatic three-month deferment for these payments to July, August and September 2020 respectively, and self-employed persons will have their personal income tax payments due in May, June and July 2020 deferred to August, September and October 2020 respectively.

The Inland Revenue Authority of Singapore (IRAS) has also released guidance on the following:

Tax residence status of a company

Where a Singapore tax resident company is not able to hold its board of directors meeting in Singapore due to COVID-19 related travel restrictions, IRAS is prepared to consider the company as a tax resident for YA 2021, provided the company satisfies all the following conditions:

a. the company is a Singapore tax resident for YA 2020;

b. the economic circumstances (e.g., principal activities, usual locations in which the company operates) of the company have not changed; and

c. the directors are obliged to attend board meeting(s) held outside Singapore or participate electronically (via video conference) due to their movement being restricted by COVID-19 related travel restrictions.

Taxation

Conversely, where a company is not tax resident in Singapore for YA 2020, IRAS will continue to consider the company to be a non-resident for YA 2021, provided it meets all the following conditions:

a. the company is obliged to hold its board of directors meeting(s) in Singapore due to COVID-19 related travel restrictions; and

b. the economic circumstances of the company have not changed.

The company should maintain relevant documentation (e.g., meeting minutes or papers stating why the directors were taking part in board meetings from their respective locations) to substantiate its claim.

Permanent establishment

Provided that the following conditions are met, IRAS will not consider the unplanned presence of employees of a foreign company (that is resident in a treaty jurisdiction), who had to remain in Singapore due to COVID-19 related travel restrictions, as resulting in the creation of a permanent establishment in Singapore:

a. the foreign company does not have a permanent establishment in Singapore for YA 2020;

b. the economic circumstances of the company have not changed;

c. the unplanned presence of the employees in Singapore is due to COVID-19 related travel restrictions and their physical presence in Singapore is temporary; and

d. the activities performed by the employees during the unplanned presence would not have been performed in Singapore if not for the travel restrictions.

The company should maintain the necessary documentation to substantiate its claim that it has no permanent establishment in Singapore.

Social security / Employment / Wage taxes / Personal Income Tax

All employees (other than employees of foreign employers and non-Singapore citizen employees who have sought tax clearance) can apply to defer their income tax payments due in May, June and July 2020. Where the application is approved, income tax payments will resume in August 2020 and the end date for the tax instalment plan (if opted for by the taxpayer) will be extended by three months.

The filing deadline for individual income tax returns for YA 2020 has been extended to 31 May 2020.

Taxation

Employers seeking tax clearance for their employees in April are given one month's extension.

In addition, subject to conditions, IRAS is prepared to treat individuals who have been exercising employment overseas, but are now working remotely from Singapore due to COVID-19 related travel restrictions, as not exercising employment in Singapore.

VAT

The filing deadline for all GST returns for accounting period ended March 2020 has been extended to 11 May 2020. The payment date has also been extended to 11 May 2020, except for those on GIRO for which the deduction date remains as 15 May 2020.

Excise/import duties

N/A

Other taxes

Property Tax

Non-residential properties will be granted property tax rebate for the period from 1 January 2020 to 31 December 2020:

- The following premises will receive a 100% rebate:
  - Accommodation and function room components of qualifying hotel buildings and serviced apartment buildings;
  - MICE premises of Suntec Singapore Convention and Exhibition Centre, Singapore EXPO and Changi Exhibition Centre;
  - Changi Airport, Singapore Cruise Centre, Marina Bay Cruise Centre Singapore and Tanah Merah Ferry Terminal;
  - Premises that provide accommodation but are not registered hotels (e.g., hostels, boarding houses and hotels that are not a registered hotel);
  - Retail-related premises (e.g., shops, restaurants, amusement centres, cinema, theatre);
  - Premises that provide medical facilities (e.g., medical clinic, hospital, nursing home, hospice, rehabilitation centre or convalescent home);
  - Premises that provide education (e.g., childcare centre, kindergarten, school, driving school);
  - Purpose-built workers' dormitory; and
  - Tourist attractions.

Singapore

Taxation

All premises at Marina Bay Sands and Resorts World Sentosa will receive a 60% rebate.

Other non-residential properties (e.g., offices, warehouses, premises used for an industrial purpose or agricultural purpose, petrol stations) will receive a 30%ate.

Withholding tax

The deadline for all Section 45 withholding tax forms filing and payments due in April 2020 has been extended to 15 May 2020. However, the deduction date remains at 25 April 2020 for those on GIRO and who file by 15 April 2020.

Comments

In addition to the tax measures listed here, the Singapore government has introduced a wide range of economic measures to build long term capabilities, as well as short term reliefs to counter the impact of COVID-19 on individuals and businesses.

To read more about this topic, please see this alert: Singapore introduces fourth stimulus package to mitigate COVID-19 induced economic shock

Additional temporary relief measures for property developers due to COVID-19

Taiwan

Foreign Investment Restrictions	COVID-19 has not had an impact on foreign investment law. However, to facilitate the foreign investment cases, the competent authority, Investment Commission, has issued a notice on 9 April 2020, allowing the POA that must be notarized, apostilled or legalized overseas for foreign investment applications can be submitted within 6 months of the approval as long as a scanned copy can be filed for review.
Debt	The government announced on 25 February 2020 the Special Act for Prevention, Relief, and Revitalization Measures for Severe Pneumonia with Novel Pathogens (the Act), authorizing relevant industry authorities to provide various support measures such as debt financing, subsidies to businesses/employees, etc. The Act was amended on 21 April 2020 and the maximum amount of funding required for the Act was increased from TWD 60 billion to TWD 210 billion (approximately USD 2 billion to USD 7 billion). The responsible authorities and relevant banks have established standards and application forms to offer urgent and timely support to affected businesses and individuals. In addition, pursuant to the Ministry of Economic Affairs Relief and Incentive Program for Businesses and Enterprises with Operational Difficulties due to COVID-19 ("Incentive Program"), enterprises that meet the conditions and qualifications outlined below ("Affected Enterprises") may apply for: (i) an extension of the repayment of principal of loans borrowed before such Incentive Program was announced; and (ii) loans to pay wages and rents for factory and business premises. These loans will be guaranteed by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan.
Restructuring & Insolvency	A number of measures have been introduced to support distressed businesses, as can be seen under the Debt sections above. However, no new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

Taiwan

Equity

No (semi-) equity support measures have been announced.

Taxation

Corporate Income Tax

- In certain circumstances, taxpayers affected by COVID-19 may apply for deferral of tax payments, or to pay in instalments.
- Extension of certain filing and payment deadlines for affected taxpayers in certain circumstances (e.g., if the representative person is self-isolating or under quarantine).
- Double deductions for salary expenses incurred in certain circumstances.

Social Security/Employment/Wage Taxes

- In certain circumstances, taxpayers affected by COVID-19 may apply for deferral of tax payments, or to pay in instalments.
- Extension of filing and payment deadlines for affected taxpayers in certain circumstances (e.g., if the taxpayer is self-isolating or under quarantine).

VAT

N/A

Excise / Import duties

Customs exemptions on certain medical supplies such as face masks.

Other Taxes

Temporary reliefs for house taxes and vehicle license taxes.

Comments

It is expected that more tax and economic measures will be introduced. Please contact us to obtain updates.

Thailand

Foreign Investment Restrictions

No specific measures relating to foreign investment restriction have been announced in response to COVID-19 in Thailand.

Restructuring & Insolvency

No new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

Taxation

Corporate Income Tax

1. Reduction of withholding tax rate

   The Ministerial Regulation No. 361 (B.E. 2563) was published in the Royal Gazette on 30 March 2020 to reduce the withholding tax rate for the following payments made to companies or juristic partnerships (not including foundations and associations):

   a. service fees under sections 40(2), 40(6), and 40(7) of the Revenue Code.
   b. royalties for goodwill, copyrights, or other rights under section 40(3) of the Revenue Code.
   c. consideration for hire of work, reward, discount, sales promotion under section 40(8) of the Revenue Code (excluding hotel services, restaurant services, and life insurance premium).

Taxation

The withholding tax rate will be reduced as follows:

1. Withholding tax shall be reduced from 3 percent to 1.5 percent for the payment made from 1 April 2020 to 30 September 2020.
2. Withholding tax shall be reduced from 3 percent to 2 percent for the payment made from 1 October 2020 to 31 December 2021, only for the withholding tax remitted to the Revenue Department through e-withholding tax system.

2. Extension of deadlines for CIT filing and payment

The Ministry of Finance has issued the Ministerial Notification re: the extension of deadlines for the submission of CIT return forms and the payment of CIT No. 2, dated 31 March 2020. Details of the Ministerial Notification are as follows:

1. the submission of CIT return form (Phor. Ngor. Dor. 50) (including supporting documents such as audited financial statements) and the payment of CIT that will be due from April 2020 to August 2020 (depending on the accounting period) will be extended until 31 August2020.
2. the submission of half-year CIT return form (Phor. Ngor. Dor. 51) and the payment of CIT that will be due from April 2020 to September 2020 (depending on the accounting period) will be extended until 30 September 2020. The above extensions are granted to the companies that are not listed on the Stock Exchange of Thailand.

3. Special expense deduction for donating to combat COVID-19 pandemic

Additional expense deduction of not exceeding 2 percent of net profit is provided for corporate taxpayer for donating money or asset through the e-donation platform to the Office of the Prime Minister's bank account during 5 March 2020 to 5 March 2021.

Social Security/Employment/Wage Taxes

1. Reduction of withholding tax rate

The Ministerial Regulation No. 361 (B.E. 2563) was published in the Royal Gazette on 30 March 2020 to reduce the withholding tax rate for the following payments made to persons subject to PIT:

a. service fees under sections 40(6), and 40(7) of the Revenue Code.
b. consideration for hire of work, reward, discount, sales promotion under section 40(8) of the Revenue Code (excluding hotel services, restaurant services, and life insurance premium).

Taxation

The withholding tax rate will be reduced as follows:

1. Withholding tax shall be reduced from 3 percent to 1.5 percent for the payment made from 1 April 2020 to 30 September 2020.
2. Withholding tax shall be reduced from 3 percent to 2 percent for the payment made from 1 October 2020 to 31 December 2021, only for the withholding tax remitted to the Revenue Department through e-withholding tax system.

2. Extension of deadlines for PIT filing and payment

The deadline to submit PIT return and pay PIT for 2019 is extended from 31 March 2020 to 31 August 2020.

3. PIT exemption for medical staff

Income that medical staff (including doctors, nurses, medical technologists, medical laboratory scientists, patient transport drivers, and other persons with medical experience appointed by the Ministry of Public Health) receive from their duty during COVID-19 pandemic is exempt from PIT for FY 2020.

4. Increase of allowance limit for health insurance premium

Allowance threshold for health insurance premium is increased from THB 15,000 to THB 25,000, but not exceeding THB 100,000 when included with the life insurance premium for FY 2020 onwards.

5. Special deduction for donating money to combat COVID-19 situation

Allowance deduction of not exceeding 10 percent of net income is provided for individual taxpayer for donating money through the e-donation platform to the Office of the Prime Minister's bank account during 5 March 2020 to 5 March 2021.

Withholding Tax

Extension of deadlines for withholding tax filing and remittance

The submission of withholding tax return form and the remittance of such tax for March 2020 and April 2020 that are due in April 2020 and May 2020, respectively, will be extended until 15 May 2020."

Thailand

Taxation

VAT

1. Extension of deadlines for VAT filing and payment
   a. The deadlines to file monthly VAT return form (Phor. Phor. 30) for the tax months March 2020 and April 2020 are extended to 23 May 2020.
   b. The deadlines to file VAT remittance form (Phor. Phor. 36) for March 2020 and April 2020 are extended to 15 May 2020.
2. Acceleration of VAT refund process for good exporters

The VAT refund period for internet and paper-based refund filing will be shortened to 15 days and 45 days respectively for private and public companies that are approved as "good exporters" by the Revenue Department.

3. VAT exemption for donating asset to combat COVID-19 situation

VAT registrant is exempt from VAT for donating asset to the Office of the Prime Minister's bank account during 5 March 2020 to 5 March 2021.

Specific Business Tax (SBT)

Extension of deadlines for SBT filing and payment

The deadlines to file monthly SBT return form (Phor. Thor. 40) (except for the sale of real estate for commercial purposes) for March 2020 and April 2020 are extended to 23 May 2020.

Stamp Duty

Extension of deadlines for Stamp Duty returns filing and payment

For business operators that the government has ordered to close their business places due to COVID-19 situation, the deadline to file Stamp Duty return form and pay Stamp Duty in cash which are due from 1 April 2020 to 15 May 2020 is extended to 15 May 2020.

Excise / Import duties

1. Exemption of import duty
   a. Imported goods that are related to treatment or prevention of COVID-19 are exempt from import duty.
   b. Surgical mask classified under HS code 6307.90.40 is exempt from import duty during 24 March 2020 to 30 September 2020.

Taxation

c. Anti-pollution mask or respirator classified under HS code 6307.90.90 is exempt from import duty during 24 March 2020 to 30 September 2020.

d. Raw material that will be used to produce surgical mask classified under HS code 6307.90.40 or respirator classified under HS code 6307.90.90 is exempt from import duty. The raw material must be used for the said purpose within one year from the date of importation and after the Customs Department approved the import duty exemption request to import such raw material. The importer must be granted import duty exemption for the importation of raw material before 30 September 2020.

2. Extension of re-export period

The initial six months re-export period on temporary importation of duty-exempt products may be granted an extension under Category 3 Part IV of the Customs Tariff Decree, B.E. 2530 (1987).

3. Extension of storage period

The storage periods of duty-exempt imports stored in Customs Bonded Warehouse, Customs Free Zone, and IEAT Free Trade Zone are extended as follows.

Duty Privilege Scheme

Type

Extension Period

Customs Bonded Warehouse

General, duty-free shop, in-flight selling of duty-free merchandises, manufacturing, and bond depository

Maximum of 1 year from the ending of the previous extended storage period

Liquefied petroleum gas (LPG) and oil

Maximum of 1 year from the ending of storage period

Vessel repair or construction and goods demonstration or exhibition

Taxation

As necessary

Customs Free Zone

Industrial operation and commercial operation

Maximum of 1 year from the ending of the storage period

Business operators that previously have been granted with an extension

IEAT Free Trade Zone

Industrial operation and commercial operation

Maximum of 1 year from the ending of the storage period Business operators that previously have been granted with an extension

Excise

1. Extension of deadlines for Excise Tax filing and payment
   a. Deadlines for Excise Tax filing and payment that are due during March to May 2020 for entertainment service business operators (e.g., nightclub and golf course) are extended to 15 July 2020.
   b. Excise Tax filing and payment for petroleum manufacturers are generally due within 10 days after the Excise Tax liability takes places. For Excise Tax liability of petroleum manufacturers that occurs during April to June 2020, the deadlines for tax filling and payment are extended to the 15th day of the subsequent month that Excise Tax liability occurs.
2. Extension of deadlines for submitting daily account and monthly financial statement

By virtue of the Excise Act, manufacturers and business operators are generally required to file daily accounts of each month by the 15th day of the following month. In light of COVID-19 situation, manufacturers and business operators are permitted to submit the daily accounts for the period during March to May 2020 by 15 July 2020.

Taxation

3. Reduction of Excise Tax rate for jet fuel

Excise Tax rate for jet fuel is reduced from THB 4.726 per litre to THB 0.20 per litre for domestic flights until 30 September 2020.

4. Excise online services

   a. Taxpayers can submit the suggested retail price (Porsor. 02-01 form) or service fee (Porsor. 02-02 form) through Excise Department website (www.excise.go.th) instead of paper-based submission at Excise Department office until 15 July 2020.
   b. Taxpayers intending to use the Excise paid mark or to stop using the Excise paid mark can notify the Excise Department of its intention through email instead of paper-based submission until 15 July 2020.
   c. Manufacturers can apply through emailing to the Excise Department until 15 July 2020 for 0 percent Excise Tax on oil and oil products as well as hydrocarbon solvent that is used as raw materials in manufacturing process.

Other Taxes

The rate for registration fee for the transfer or mortgage of immovable property and condominium under the debt restructuring scheme is reduced to 0.01 percent until 31 December 2021.

Comments

This content is up to date as at 16 April 2020. The above includes only key selected tax measures and may be subject to further changes.

Foreign Investment Restrictions	No specific measures have been introduced in response to COVID-19.
Debt	In recognition of the growing complexity and unpredictability of the Coronavirus (COVID-19) pandemic worldwide and locally, the State Bank of Vietnam ("SBV") has issued guidance and various recommendations for credit institutions and branches of foreign banks ("FIs"). Annual key targets for the economy in general and for the banking and finance sectors in particular shall remain unchanged, especially regarding the stabilization of the financial market, inflation control, growth support and restructuring together with resolution of nonperforming loans of FIs. Accordingly, the Government maintains average inflation below 4%, increasing credit limit of 14% and the increasing total payment means of 13% in 2020. In addition, so far the State Securities Commission confirmed that the stock exchanges of Vietnam will be open per normal regardless of Coronavirus. Online banking and virtual conferences are encouraged. On 4 March 2020, the Government has issued Directive No. 11/CT-TTg regarding urgent objectives and solutions for assisting businesses facing difficulties and assurance of social security for COVID-19 pandemic situation ("Directive No. 11/CT-TTg"). Accordingly, the Government requests the SBV to implement the following requirements, among others: Timely guide the FIs to balance, fully and promptly meet capital needs for production and business, accelerate administrative procedure reform, shorten the time for loan approval, improve the access to the loans for customers; promptly apply supportive measures, i.e., rescheduling payment term, considering reduction of interest rate, keeping the debt group, reducing fees, etc. for customers who are in difficulties due to the effects of COVID-19 (firstly, the credit support package is about VND250 trillion). Coordinate with the Ministry of Planning and Investment, the Ministry of Finance and relevant State agencies to urgently propose appropriate credit policies to remove difficulties for those who are affected by COVID-19 and report to the Prime Minister in March 2020. Pursuant to the Directive No. 11/CT-TTg, the SBV has issued Circular No. 01/2020/TT-NHNN dated 13 March 2020. In general, customers who are (i) under obligation to repay the principals and/or interest arising between 23 January 2020 and the following day after 03 months from the date the Prime Minister announces the end of the COVID-19 pandemic; and (ii) are unable to pay the debts and/or interest in due time because of

Debt

decreases in revenues and incomes caused by the impacts of the COVID-19 pandemic are entitled to the credit support by FIs ("COVID-19 Affected Customers"):Exempt or reduce interest: FIs to waive or reduce the interest applicable to the COVID-19 Affected Customers in alignment with the FIs' internal regulations for the outstanding loans arising from credit extension operations (except for activities of buying and investing in corporate bonds);Maintain classification with regard to the debt balances subject to loan repayment rescheduling, interest and/or fee exemption and reduction of the eligible debts affected by the COVID-19 outbreak. FIs should review and set up risk provisions for the restructured terms; but no need to escalate to the debt groups with higher risk levels. Provide credit extension for business stabilization in accordance with the laws. However, the extension for each loan should not be over 12 months as from the original maturity date.

FIs shall have great flexibility in determining customers being affected from the COVID-19 Affected Customers, including among others, the criteria regarding the customers' revenues and incomes reduced because of COVID-19 pandemic. For the time being, the SBV has no further instructions on the key criteria for such assessment.

Furthermore, the SBV reduced several interest rates to boost the economic activity in responding the revolution of the Coronavirus pandemic: Refinancing rate being cut from 6.0% p.a to 5.0% p.a. Discount rate being reduced from 4% p.a to 3.5% p.a. Overnight lending rate in the interbank market being decreased from 7% p.a to 6% p.a. The overnight interbank interest rate updated on 8 April 2020 is 2.7% p.a. Maximum VND banking lending interest rate for short-term loans being lowered from 6% p.a to 5.5% p.a. Interest-rate cap for VND deposits with maturities of one month to less than 6 months being trimmed down from 5% p.a to 4.75% p.a.

The SBV also issued Circular No. 04/2020/TT-NHNN on 31 March 2020, amending Circular No. 26/2013/TT-NHNN, to reduce minimum settlement fees by 50 percent via the interbank electronic payment system in the period from 1 April 2020 to 31 December 2020. As provided in Directive No. 02/CT-NHNN dated 31 March 2020 of the SBV, banks is requested, among others, not to pay cash dividends and to cut back operating expenses to procure efficient capital for the reduction of lending interests for current and new lending activities.

It is worth noting that in early April, other Ministries has proposed various financial solutions to mitigate the impact of the COVID-19 pandemic on the economic: Ministry of Planning and Investment proposed a draft Resolution on the Government's fiscal package to support poor and low-income households. The package mounted to VND61,500 billion (approx. US$2.6 billion) and would be distributed as cash payments during a three-month period from April to June to six eligible groups. Ministry of Finance proposed for extension of tax and land lease payment deadlines with a total sum of VND180 trillion (approx. US$7.82 billion) for entities affected by the COVID-19 in 20 sectors, more than double the VND80 trillion (approx. US$3.47 billion) proposal made on March 2020. Ministry of Industry and Trade proposed a 10 percent discount on electricity rates in the period of 3 months in order to reduce difficulties for entities, households affected by the COVID-19.

Restructuring & Insolvency

A number of measures have been introduced to support distressed businesses, as can be seen under the Debt section above. However, no new nor amended insolvency provisions have been introduced as a result of the COVID-19 pandemic and, currently, none are anticipated or being discussed.

Equity

No (semi-) equity measures have been announced.

Taxation

Corporate Income Tax

The Prime Minister issued Directive No. 11/CT-TTg ("Directive No. 11") on 4 March 2020 to assign the relevant ministries to implement action plans to support businesses experiencing difficulties due to the impact of COVID-19. Among those, the Ministry of Finance (MOF) is required to present action plans on the following:

- granting the deferral of tax payments;
- granting tax and fee exemptions or reductions;
- developing certain corporate income tax policies for small and medium enterprises; and
- simplifying tax administrative procedures.

Following Directive No. 11, the Government issued Decree No. 41/2020/ND-CP ("Decree No. 41") with immediate effect from 8 April 2020. Decree No. 41 grants deferral of tax and land rent payments to a number of business sectors that belong to one of the following groups:

- Group 1, which includes enterprises, organizations, households and individuals conducting agricultural, forestry and aquacultural manufacturing; foodstuff production and processing; textile; apparel production; leather processing and related products; lumber processing and products made from wood, bamboo (except beds, closets, tables, chairs); products made from straw, braided materials; paper processing and paper products; rubber and plastic products; products made from non-metal minerals; metal processing; mechanical processing; metal coating; electronics, computers and optical products; automobiles and other motor vehicles; manufacture of beds, closets, tables, chairs; and construction.

Taxation

- Group 2, which includes enterprises, organizations, households and individuals conducting business in transportation and warehousing; accommodation and catering; education and training; healthcare and social support activities; real estate; employment service; travel agency, travel services and auxiliary services relating to promotion and organization of travel tours; art and entertainment; libraries, archives, museums and other cultural activities; sports, recreation and entertainment; and cinemas.
- Group 3, which includes enterprises, organizations, households and individuals manufacturing prioritized supportive industrial products and major mechanical products.
- Group 4, which includes small and ultra-small enterprises; and
- Group 5, which includes credit institutions, foreign bank branches implementing measures to support enterprises, organizations and individuals affected by the COVID-19 pandemic, as announced by the State Bank of Vietnam.

Decree No. 41 grants a five-month deferral of CIT payment for the remaining FY 2019 tax finalization and provisional tax payment of Quarter 1 and Quarter 2/2020. If the remaining FY 2019 tax finalization amount has been paid, it can be offset with other tax payables

Social Security/ Employment / Wage Taxes / Personal Income Tax

The Ministry of Finance proposed an increase in deductions for personal income tax purposes. Particularly, the deduction for the taxpayer is proposed to increase to VND 11 million/month from the current VND 9 million/month and deduction for dependants is proposed to increase from VND 3.6 million to VND 4.4 million/dependent/month

Personal Income Tax

PIT and VAT - business households and individuals are allowed to defer any tax payables for 2020 until 31 December 2020.

VAT

Eligible taxpayers of the above groups will enjoy a five-month deferral of VAT payments for March, April, May, and June 2020 (for monthly VAT declaration) or Quarter 1 and Quarter 2/2020 (for quarterly VAT declaration). However, VAT declarations must still be filed in accordance with the timeline. This deferral also applies to branches and subordinates of similar business lines located in other provinces.

Taxation

Excise / Import duties

Under Directive No. 11, the Ministry of Finance is required to present action plans on suspending periodical customs inspections (and also tax inspections) during 2020 on enterprises which have no sign of non-compliance, as well as simplifying customs admin.

Other Taxes

Under Directive No. 11, the Ministry of Finance is required to present action plans on granting deferral of land rent payments.

Eligible businesses in any of the five groups that lease land directly from the State can defer the first payment of annual land rent for five months until 31 October 2020.

Comments

Business entities and individuals engaged in multiple business lines, including those specified in Groups 1, 2, 3 and 5, are entitled to full payment deferral of their payable tax amounts (VAT, CIT and PIT).

To benefit from the tax and land rent payment deferrals, eligible taxpayers are required to submit a prescribed deferral payment request (form attached to Decree No. 41) via electronic or other means to the local tax authority at the monthly or quarterly tax filing but no later than 30 July 2020. Beyond this date, no deferral requests will be granted. This form is filed only once for the whole deferral period. Taxpayers are responsible for self-assessing their eligibility for the deferral. Tax authorities are not required to issue notices to accept the deferral.

It is expected that the Government will issue specific rules to implement more tax relief measures in the coming months.

Please contact us to obtain updates. Please see here our client alert.

To read more about this topic, please see this alert:

Vietnam: Tax and Land Rent Deferral Available to Certain Businesses and Industries in Vietnam to Relieve the Impact of the COVID-19 Pandemic

Continued deferral of tax payment and land rent in 2021 due to impact of COVID-19 pandemic

Baker McKenzie.

bakermckenzie.com