

# EMEA TAX BULLETIN

## CORONAVIRUS Special

APRIL 2020 - ISSUE 26

### Dear Friends and Colleagues,

What a difference a year makes! Looking at the spring edition in 2019 we were talking about BREXIT, VAT, Crisis and Insolvency. Whilst all of these subjects continue to be of relevance, they will now, as so many others, all be affected by the current crisis we are living through – CORONAVIRUS. Understandably this issue of the Tax Bulletin focuses on CORONAVIRUS and what effect it is having on us.

A special big thank you to all the contributors who – in spite of very special circumstances - have shared with us what is going on in their own jurisdictions, as well as to Sunny, Tim and Julia for putting this edition together. Please continue to contribute to this Tax Bulletin. As we come out of the crisis things in the tax world will change and it will be of great interest to see how things transform.

We will get through this, and there will be a time for personal meetings again. In the meantime – please stay safe.

If there is anything the tax committee can do for you, if you have any queries or concerns, please do feel free to contact us.

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## BKR International COVID 19 Updates

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Since the middle of March BKR International has been putting out advice to members using a variety of routes. The new BKR International website has featured member's activity on its News pages, both on the International website and the Regional ones. There are constant updates from relevant organisations in Press Box. Access to both these is available [HERE](#).

The Forum is also a great medium for reaching out to other members to exchange ideas in the current crisis. It also has regular comment and updates posted to it. I commend it to you. The BKR Forum is available [HERE](#) for EMEA contacts and [HERE](#) for Worldwide contacts. If members are unsure how to use the Forum please contact me.

There are electronic meetings available for members to attend. Details of these are available [HERE](#). BKR EMEA Region will be hosting a Zoom meeting on 'Back to the new normality - Post lockdown' chaired by Martin Bissett of the Upward Spiral Partnership at 12.00 (UK) on Wednesday 6th May 2020.

We have put together a list of useful website containing information that may be of use. Whilst every country is operating under different regulations there may be common points that are useful to others, whilst the accountancy Europe and the ICAEW (Europe) websites contain information relevant across a large part of the EMEA Region and other regions.

Accountancy Europe - Coronavirus resources for European accountants [HERE](#).

ICAEW [HERE](#).

ICAEW Europe [HERE](#) .

South African Institute of Professional Accountants [HERE](#).

Accounting Web [HERE](#).

IFAC [HERE](#).

You can also download Global Data's COVID-19 Executive Brief report Free [HERE](#) which covers its impact on the global economy and initial implications for specific sectors from automotive to wealth management. Global Data's regular Executive Briefings are also available in the members area of the BKR EMEA pages [HERE](#).

International Accountancy Bulletin [HERE](#).

If there is any information you wish to share or for more information please contact:

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## Italy - COVID 19 Measures

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As a consequence of the ongoing emergency the Italian government, starting from early past March, issued a number of new Legislation in order to support the economical system and in order to manage the lockdown period.

Present issue makes reference to some provision foreseen in the last Presidential Decree issued on April 8, 2020 (so-called "liquidity decree"), in force from 9.4.2020. A number of further provisions are expected for the incoming days.

Public guarantees in favour of the liquidity of economic operators

Due to the epidemiological emergency from Coronavirus actually in force, a number of financial support measures have been envisaged. In particular a recent legislative decree contains some measures aimed to increase, until December 31, 2020, the volume of loans granted to companies and to the arts and professionals, by banks and other financial intermediaries authorized to exercise

## Italy - COVID 19 Measures (contd.)

the credit, through the granting of state guarantees through SACE SPA and the Central Guarantee Fund for SMEs

Please notice that this contribution was drafted on April 20, 2020. Italian Legislation is changing frequently in these times. Please check before acting!

### 1. TEMPORARY STRENGTHENING OF THE “CENTRAL GUARANTEE FUND”

Said Legislative Decree firstly introduces a number of temporary changes to the regulation of the Central Guarantee Fund for SMEs, which will last until 31.12.2020.

In particular, it is expected that the guarantee will be granted by the Fund free of charge and that the commission for the non-completion of the financial operations will not be due.

#### 1.1 MAXIMUM GUARANTEED AMOUNT

The maximum amount that can be guaranteed per individual company is raised from 2.5 to 5 million euros.

#### 1.2 BENEFICIARIES

The beneficiaries of the loans for which the guarantee is admitted are companies with a number of employees not exceeding 499.

In any case, companies with exposures classified as “bad loans” pursuant to banking regulations remain excluded.

#### 1.3 WARRANTY COVERAGE PERCENTAGE

Subject to authorization from the European Commission, the percentage of direct guarantee coverage is increased to 90% and that of reinsurance to 100% with regard to loans with the following characteristics:

- an amount not exceeding the greater amount between:
  - 25% of the beneficiary’s turnover in 2019;
  - double the beneficiary’s annual salary expenditure in 2019 (including social security costs and the cost of staff working on the company’s site, but formally included in the subcontractors’ payroll);
- the requirement for working capital amount and capital expenditure (certified by means of a specific

self-certification made by the beneficiary) in the following 18 months (in the following 12 months for companies with a number of employees between 250 and 499);

- a duration of up to 72 months.

The 90% guarantee (subject to authorization by the European Commission) can be combined with an additional guarantee granted by Confidi or other entities authorized to issue guarantees, up to 100% coverage of the loan granted:

- in favour of beneficiaries with revenues not exceeding 3,2 million euros;
- for loans for an amount not exceeding 25% of the beneficiary’s revenues.

Loans up to Euro 25,000.00

Limited to guarantee requests for loans of an amount not exceeding Euro 25.000,00 (without prejudice to compliance with the maximum limit of 25% of the beneficiary’s revenues or fees), the guarantee coverage may reach 100% of the guarantee financed amount (subject to authorization by the European Commission), provided that:

- the loan provides for the start of the repayment of the capital no earlier than 24 months from the disbursement and has a duration of up to 72 months;
- the lender that requests the guarantee applies an interest rate (or, in the case of reinsurance, an overall guarantee premium) at an agreed / reduced level.

For these loans up to a maximum of Euro 25.000,00, an accelerated procedural procedure is also envisaged which provides that the guarantee is automatically released, without any evaluation by the Fund, and that the lender can provide the financing with only formal verification of the fulfillment of the requirements, without waiting for the outcome of the investigation by the fund manager.

### 2. ISSUANCE BY SACE SPA OF GUARANTEES FOR LOANS

In addition to the measures to temporarily strengthen

## Italy - COVID 19 Measures (contd.)

and expand the interventions of the Central Guarantee Fund for SMEs, it was decided to introduce as well SACE SPA, again with a time horizon on 31.12.2020, which allows it to issue guarantees for loans in any form to companies.

### 2.1 BENEFICIARIES

The beneficiaries mainly include large companies, as the Legislative Decree expressly provides that SMEs, including self-employed and self-employed VAT holders, can make use of the guarantees of SACE SPA only after they have fully used their ability to access the "Central Guarantee Fund" for SMEs.

### 2.2 GUARANTEES

The guarantee issued by SACE SPA, pursuant to Legislative Decree, is not free and is issued on condition that the financing:

- is for a duration not exceeding 6 years, with the possibility for the beneficiary to take advantage of a pre-amortization lasting up to 24 months;
- is of an amount not exceeding the greater amount between:
  - 25% of the beneficiary's turnover in 2019, as shown in the balance sheet or tax return;
  - double the beneficiary's annual salary expenditure in 2019, as resulting from the budget or from certified data if the company has not approved the budget.

The guarantee covers:

- 90% of the loan, for companies with less than 5,000 employees in Italy and turnover value of up to € 1.5 billion;
- 80% of the loan, for companies with more than 5,000 employees in Italy and turnover value between 1.5 and 5 billion euros;
- 70% of the loan, for companies with a turnover value of over € 5 billion.

### 2.3 COMMITMENTS

The company benefiting from the guarantee undertakes the following commitments:

- do not approve the distribution of dividends or the repurchase of shares during 2020 (the commitment is valid for any other company based in Italy that is part of the same group of which the company that receives the financing is part);
- manage employment levels through union agreements;
- the financing covered by the guarantee must be intended to support:
  - staff costs
  - investments
  - working capital
  - employed in production plants and business activities located in Italy.

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## Austria - COVID 19 Measures – Initial & Updated CORONA Plan in Austria UPDATE (status as of 6.4.2020)

### 1. Guarantees provided by Republic of Austria

#### Requirements

- Guarantee covers up to 90% of the loan amount for working capital loans
- The upper limit is a maximum of 3 monthly turnover or a maximum of 120 million euros (can only be increased in justified exceptional cases)
- Maximum duration of 5 years (can be extended up to 5 years)
- Loan interest rate is limited with up to 1% and guarantee fees of max. between 0.25% and 2%
- The location and business activities must be in Austria and there must be a liquidity requirement for the domestic location.
- For public limited companies (“Aktiengesellschaft, AG”) bonuses may be paid only to members of the Management Board up to max. 50% of last year’s bonuses and no dividend payments are allowed for the period from 16.3.2020 - 16.3.2021.

#### Processing

- The single point of contact is the company’s main bank (“house bank”), which fills out the application together with the company and furthermore forwards all the documents to the Oesterreichische Kontrollbank – in case of large companies, to Austria Wirtschaftsservice GmbH in case of small and medium-sized enterprises or to Österreichische Hotel- und Tourismusbank GmbH for companies in the tourism sector. Then, COFAG issues credit guarantees to the companies for up to max. 90% of loans granted by the bank.
- Applications can be filed from 8 April 2020 onwards.
- The aim is to process complete applications from submission to approval within 7 working days. The first payments should therefore be possible on 15 April 2020 at the earliest.

#### Not possible for

- Debt rescheduling, investments or dividend payments from 16.3.2020 - 16.3.2021, bonuses to members of the Management Board (limited to a maximum of 50% of the previous year) and buying back own shares.

### 2. Grants from the Republic of Austria

#### Requirements

- Grants to cover fixed costs for companies affected by the Corona crisis
- The location and business activities must be in Austria and fixed costs must have been incurred in Austria and be triggered by operating business.
- In 2020, during the corona crisis, the company suffers a loss of at least 40% of its turnover caused by the spread of COVID-19
- Companies must take all reasonable measures to reduce fixed costs and to maintain jobs in Austria.
- Companies that were a healthy company before the Covid 19 crisis
- The fixed cost subsidy is staggered and depends on the loss of turnover of the company, if this exceeds 2,000 Euros within 3 months, the Federal Government pays:
  - In the event of a 40 - 60% loss of turnover, 25% of the fixed costs are reimbursed
  - 60 - 80% failure: 50% replacement
  - 80-100% failure: 75% replacement capacity
- The fixed costs generally include rents for business premises (if the rent could not be reduced and is directly related to the business activity), insurance premiums, interest expenses (if these could not be deferred), necessary contractual payment obligations (which could not be deferred or reduced), license costs, payments for electricity / gas / telecommunications; furthermore also the loss in value of perishable/seasonal goods, if these lose at least 50% of their value during the Covid measures, an appropriate entrepreneur’s salary of max. 2000 Euro per month
- The basis of assessment are the company’s fixed costs and loss of revenue between 15 March 2020 and the end of the Covid measures.
- Companies must undertake to pay particular attention to safeguarding jobs and to take all reasonable measures to reduce fixed costs and safe/keep Austrian jobs. The documents required for an audit has to be handed over on request to ensure that the funds are used properly.

#### Processing

- The application for a fixed cost grant has to be submitted to the AWS online tool. Payment is made via the main bank in agreement with AWS.
- Possible from 15 April 2020 until 31.12.2020, the complete application has to be submitted by

## Austria - COVID 19 Measures – Initial & Updated CORONA Plan in Austria UPDATE (status as of 6.4.2020) (contd.)

31.8.2021

- The payment is made after the end of the business year and after the confirmation of the tax advisor / auditor has been received
- Fixed cost subsidy amounts to a maximum of EUR 90 million per company

Not possible for

- Companies that had more than 250 employees as of 31.12.2019 and dismissed employees instead of using short-time work after the outbreak of the COVID 19 crisis
- Financial and insurance sector (banks, credit institutions, insurance companies, investment firms and other companies doing business in the financial sector.

### 3. Hardship fund - phase 2

After the enormous criticism, at least for phase 2, which is to start on April 16th, improvements have been made. Now a large part of those who have not been considered in phase 1 will also get a chance. The upper and lower income limits will be dropped as an entry criterion, and the reasons for excluding multiple insurance and secondary employment/other incomes will also be loosened. Phase 2 is also open to young entrepreneurs/ start up entrepreneurs.

In phase 2, a payout of up to 2,000 euros per month for three months is possible. A total of up to 6,000 euros is thus available. Disbursements from phase 1 will be credited to phase 2; so, apart from the delayed disbursement, there are no further disadvantages for those who were not considered in phase 1.

The main improvements are

- The circle of recipients has been widened, so that significantly more entrepreneurs can apply for payments;
- Income limits will no longer apply;
- Multiple insurance policies and additional earnings do not lead to exclusion anymore.
- Additionally, in Phase 2, new entrepreneurs (business start-ups from 1.1.2020) can now also receive a lump sum from the "First Aid Fund".

The criteria for phase 1 are not changed.

How high is the funding?

In concrete terms, a grant of max. 2,000 euros per month over a maximum period of three months will cover the loss of earnings - up to a total of 6,000 euros. The first period of consideration for the loss of earnings will be the first month of the Corona crisis, from 16 March to 15 April. The subsidy from phase 1 will be credited to phase 2.

The Hardship Fund is a personal first aid measure for entrepreneurs who are in acute distress due to the corona crisis.

Who can apply for a grant?

The hardship fund continues to be targeting the entrepreneur. Membership of a chamber of commerce is not a prerequisite.

The following groups are (still) entitled to apply:

- One-person entrepreneurs
- Micro-entrepreneurs employing less than 10 people
- Employed shareholders who are compulsorily insured under GSVG/FSVG
- New self-employed persons such as lecturers and artists, journalists, psychotherapists
- Freelance staff such as computer specialists and private tutors
- Professional persons (in sense of independent profession, e.g. in the health sector)
- Applications for agricultural and forestry enterprises are handled by Agrarmarkt Austria. The application for non-profit organizations is currently the subject of political negotiations.

### 4. Tax changes

Income Tax Act (Article 11)

- Tax exemption of the contributions to cope with the COVID crisis situation. These are benefits from the crisis management fund (payments in connection with short-time work), from the hardship fund and from the Corona crisis fund as well as comparable benefits from the states, municipalities and statutory interest groups (§ 124b Z 348 EStG)
- Continuation of the commuter tax allowance also in the case of COVID-19 short-time work, temporary telework and incapacity to work. The allowances in

## Austria - COVID 19 Measures – Initial & Updated CORONA Plan in Austria UPDATE (status as of 6.4.2020) (contd.)

accordance with

§ 68 Paragraph 7 should also continue to be paid (§ 124b Z 349 EStG)

- Tax exemption of bonuses up to EUR 3,000 granted to employees for their work during the Corona crisis (§ 124b Z 350 EStG)
- No loss of the half tax rate according to § 37 para. 5 EStG for retired doctors who become active again during the COVID crisis situation (§ 124b Z 351 EStG)

Fee Act (Art. 12): exemption from fees for necessary legal transactions in connection with measures to cope with the COVID crisis situation (e.g. for certain guarantees and rental contracts)

Financial Criminal Law (Art 13)

- Interruption of the procedural deadlines (e.g. the objection deadline, appeal deadline etc.) until 30 April 2020 (Section 265a (1))
- Possibility of resolutions of criminal finance senates by video conference or by circulation until 30 September 2020 (§ 265a para. 3)

Alcohol Tax Act (Article 14): tax relief for the production of disinfectants

Postponement of the organizational reform of the financial administration by half a year to 1.1.2021 (Art 13 FinStrG and Art 31 BAO)

### CORONA Plan in Austria (status as of 2.4.2020)

#### 1. home office

Many companies advised employees to stay at home. Regarding working from home, "home office", according to Austrian Law needs to be agreed to between employer and employee. If home office is not already included in the current employment contract, an additional agreement is required.

#### 2. Employees under quarantine

In case of a quarantine ordered by the government, it may be possible to claim back the paid wages during quarantine from the state (not finally clear right now). An application needs to be filed with the relevant department within 6 weeks after the end of the quarantine.

#### 3. Covid-19-short-time working

To avoid terminations, companies can reduce the working hours for some or all employees to 90-10% of the previous working hours for up to three months. After that period it is possible to apply for another three months.

- All affected employees have to agree and sign a form.
- An application form has to be sent to the Austrian employment office ("AMS"), they will review and grant/deny the short-time working within 48 hours.
- During short-time working employees will receive a guaranteed net salary of 80 to 90% (depending on previous salary).
- Social security contributions have to be paid based on the full previous salary.
- Employers are not allowed to terminate any contracts during short-time working and neither in the first month afterwards.
- Sick leaves or holidays during short-time working have to be paid based on the full salary.
- The AMS will cover the difference between the reduced salary and the guaranteed net salary as well as the higher contributions/taxes. You will have to pay everything up front, the subvention will be paid out several weeks later. The max. subvention is for salaries up to the max of Euro 5.370 per month.

#### 4. Taxes/social security payments

For taxpayers affected by the Corona crisis which suffer from reduced sales/profit expectations and/or liquidity issues CIT prepayments can be reduced, VAT, wage taxes, social security payments etc. can be extended (without interest for later payment).

#### 5. Guarantees and warranties

Guarantees and warranties for bridging loans are mainly handled by Austria Economic Service (aws), Hotel and Tourism Bank (ÖHT), Kontrollbank (ÖKB) for Collateral Exports

#### 6. Possibility of reducing rental payments

On basis of the so-called COVID-19 Measures Act and the ordinance based on it, the entry of business premises for the purpose of acquiring goods and services and also from other places was prohibited.

What does this mean for the landlord - tenant

## Austria - COVID 19 Measures – Initial & Updated CORONA Plan in Austria UPDATE (status as of 6.4.2020) (contd.)

relationship? Is a rent to be paid or a rent reduction permitted for the period of the forced closure of the business?

The Austrian General Civil Code (ABGB) provides for special regulations in the provisions of §§ 1104 ff ABGB for cases when rented property as result of a so-called “extraordinary coincidence” (this also includes epidemics and pandemics) is (partially) not useable. This can lead to a complete exemption from the payment of interest on existing properties in the event of not being usable as result of government measures. In the event of only partial usability, a pro rata reduction in rent is to be assumed.

In principle, it will have to be examined on a case-by-case basis whether and to what extent a restriction on use actually exists. Whether or not the rented property is still partially usable due to the forced closure of the business and plant or not, and therefore only a partial rent reduction can be argued for, will depend primarily on the type of use of the rented property that is still permitted under the German Act on Measures.

### 7. Hardship funds

The hardship fund adopted by the Federal Government and administered by the Chamber of Commerce is available since 27.3.2020. The Chamber of Commerce administers the fund, but membership of the Chamber of Commerce is not necessary to receive a grant.

#### 1st phase

Affected entrepreneurs:

- One-person company
- Micro-entrepreneurs (max 10 employees, max € 2 million turnover, max € 2 million balance sheet total)
- Working shareholders
- New self-employed persons
- Independent contractors
- liberal professions
- Non-profit organizations (application not yet possible, own catalogue of criteria is still being developed)
- Family farms (applications are not yet possible, a separate list of criteria is also still in preparation)

Requirements:

- Company foundation before 2020
- Headquarters/branch office in Austria

- Hardship case, i.e.
  - o running costs can no longer be covered, or
  - o an officially ordered ban on entering the premises or
  - o Sales slump of at least 50% (comparison with the same month in the previous year)
- Income according to the latest tax assessment is between about 5,500 € and 58,000 €.
- No other income (except below the marginal earnings threshold)
- No multiple insurance in health or pension insurance
- No further cash subsidies received in the Corona crisis; short-time working subsidy does not harm
- No pending insolvency proceedings
- No falling below the URG ratios (8% equity ratio, 15 J debt repayment period)
- No unemployment benefit at the time of application
- No pension benefits at the time of application

If all requirements are met, there is an entitlement to a payout, which is made in 2 phases.

#### Emergency aid

This subsidy is paid out immediately, does not have to be repaid and is also tax-free! The subsidy is 500 € or 1,000 €, depending on whether the net income according to the last tax assessment exceeds 6,000 € or not. Without a tax assessment, € 500 subsidy will be paid out.

#### 2nd phase

Details are not yet available. It is currently only known that this grant will amount to a maximum of 2,000 € over a period of 3 months, i.e. a total of up to 6,000 €.

#### Application for funding

All applicants will be considered equally. A “first come first serve” principle is therefore not applicable!

In the application it is only necessary to declare on oath that all the conditions mentioned are met, no further justification, calculation or other information has to be provided. Accordingly, the Chamber of Commerce reserves the right to review the applications by a later date. Irrespective of this, however, payment should be made as soon as possible.

### 8. R&D incentives

Short-term funding of EUR 21 million (of a total funding package of EUR 23 million) will be made available in

## Austria - COVID 19 Measures – Initial & Updated CORONA Plan in Austria UPDATE (status as of 6.4.2020) (contd.)

response to the current coronavirus Sars-CoV-2 outbreak via the Austrian Research Promotion Agency (FFG). The funding is provided by the Federal Ministry for Digital and Economic Affairs (BMDW) and the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK). The FFG will process the Emergency Call in a fast-track procedure. The planned projects should be designed for short-term implementation (development period up to 12 months). The deadline for the submission of projects is 8 April 2020 (for short-term decisions) and 11 May 2020 (for additional applications and funding decisions). The FFG warrants that the applications submitted for both deadlines will be evaluated as quickly as possible.

The funding is provided in the form of non-repayable grants.

A project can be funded with a maximum of 3 million euros. The amount of the subsidy depends on the size of the company and is usually as follows

Large enterprises: 25 %

Medium-sized enterprises: 35 %

Small enterprises: 45 %

Startups: 45 %

A higher funding intensity is possible for research cooperation,

- provided that at least 10% of the total costs are borne by the research institution
- Research facility shows a detailed presentation of the planned work and calculation of costs

- there is a cooperation agreement

### 9. Our recommendation for an Action plan

Furthermore, we would like to share a possible action plan for first orientation, which can be further customized:

- 1.) Questioning / checking deadlines with clients (requesting written statements / declarations of intent if possible )
- 2.) List the status of overtime / in individual cases initiate the use of overtime
- 3.) Create a concept for short-time work: which projects are affected, who, how, what...
- 4.) apply for short-time work
- 5.) Create liquidity forecast on basis of the current state of knowledge for the period until 12.2020 (adjust payment plans etc.)
- 6.) Decide and implement further measures on basis of the forecast

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## Spain – Update from Faura-Casas

On 30 January 2020 the World Health Organization declared the situation caused by the Covid-19 Coronavirus a Public Health Emergency of International Concern. Lately, on 11 March 2020, the WHO confirmed that the outbreak of COVID-19 had become a pandemic. In Spain, four extraordinary regulatory provisions, developed as lower-level regulations, have been approved in order to mitigate the effects of that situation, in addition to the regulations approved by the different autonomous communities aimed at combating COVID-19:

- Royal Decree 463/2020 of 14 March 14 2020, declaring the state of alarm for managing the health crisis situation caused by COVID-19, which came into force immediately and has been modified by Royal Decree 465/2020, of 17 March and by Royal Decree 476/2020, of 27 March (hereinafter, the “RD State of Alarm” or the “RD 463/2020”).
- Royal Decree Law 8/2020 of 17 March 2020, of extraordinary urgent measures to address the economic and social impact of COVID-19 (hereinafter, the “RDL

## Spain – Update from Faura-Casas (contd.)

8/2020”).

- Royal Decree Law 9/2020, of March 27, 2020, which adopts complementary measures, in the workplace, to alleviate the effects of COVID-19 (hereinafter the “RDL” 9/2020 “).

- Royal Decree Law 10/2020 of 29 March 2020, which regulates remunerated and returnable work permit for employed workers who do not provide essential services, in order to reduce the mobility of the population in the context of the fights against COVID-19 (hereafter the “RDL 10/2020”).

A brief summary of the measures contained in the referred regulations, classified according to their area of impact is available [HERE](#).

For further information you may consult the following [link](#), where you may have access to all the regulations approved by the Government of the Kingdom of Spain for fighting COVID-19.

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## Ronalds LLP (Nairobi) Advice Clients - Kenya Tax Update on COVID-19

Following the outbreak of COVID-19 and the subsequent declaration of the virus as a global pandemic by WHO, the world economy has been greatly affected and the Kenyan economy has not been exempted. The pandemic has had adverse effects on millions of Kenyans, which among other things includes loss of income, imminent job losses, indefinite closure of businesses not to mention the mounting pressure on social infrastructure.

To shield Kenyans and Kenyan businesses from the effects of this pandemic, the President, on 25th day of March 2020, directed the National Treasury to table a bill in parliament to effect the tax changes.

### Income Tax Changes

#### Individual Taxation

i) 100% Tax Relief for Persons Earning Gross Monthly Income of up to Kshs. 24,000

Currently, the tax exempt bracket for Pay As You Earn is Kshs. 12, 298 and below. The President has directed that all persons earning a monthly gross income of up to 24,000 be exempted from income tax. This relief will be effective starting 1 April, 2020.

This is a welcome relief as it will increase the ‘take-home’ pay for low income earners, who are expected to be worst affected by the pandemic.

ii) Reduction of the Pay As You Earn from 30% to 25%

Currently, individuals are taxed on graduated tax bands that range between 10% and 30%. The President has directed that the maximum tax band be lowered from 30% to 25% offering some relief to employees. This reduction is effective starting 1 April, 2020. However, this reduction in tax rate will have a minimum effect on the ‘take home’ pay for most middle-income earners. According to statistics by the Kenya National Bureau of Statistics, about 74% of all Kenyans working in the formal sector earn a monthly salary of below Kshs.50,000.

In our analysis, employees who earn a taxable income of Kshs 50,000 will have a meager tax relief of slightly below Kshs. 150 from the reduction in PAYE. It is therefore our opinion that the President should have considered extending a bigger tax relief to this category of employees.

## Ronalds LLP (Nairobi) Advice Clients - Kenya Tax Update on COVID-19 (contd.)

### Value Added Tax Changes

#### i) VAT rate reduced from 16% to 14%

In a bid to cushion the citizens from the prices of commodities during the pandemic, the President has directed the National Treasury to reduce the standard VAT rate applicable on goods and services from 16% to 14%.

This is a welcome move that will see people purchase items at a relatively cheaper price. While the ultimate beneficiaries of this reduction in tax are the Kenyan consumers, businesses will also be slightly relieved on VAT payments.

Given that the above reduction is effective 1st April, the government must move fast to effect the necessary changes in the systems of VAT administration. For instance, ETR/ ESD machines will need to be re-programmed and the iTax system reconfigured to incorporate the above changes, all in less than 7 days.

#### ii) Payment of VAT Refund of Kshs 10 Billion within 3 weeks

The President has directed that the Kenya Revenue Authority expedite on paying all the verified VAT refund claims amounting to Kshs. 10 Billion within 3 weeks. Furthermore, He directed that where there are alternatives, the Kenya Revenue Authority should expedite on allowing for offsetting of Withholding VAT.

This directive will see companies with verified VAT refunds benefit from the much needed cashflows for their operations.

### Other Measures

#### i) Temporary suspension of Listing by the CRB

The President has also temporarily suspended individuals, SME's and Corporate entities whose loans fall in arrears effective 1st April from being listed with CRB. The effects of the coronavirus have rendered many businesses stagnant making it hard for them to service

any active loans. With this directive from the President, businesses and individuals will be cushioned from being listed by the Credit Reference Bureau and their credit ratings protected despite loan arrears.

#### ii) Central Bank Rate at 7.25%

The Central Bank of Kenya has lowered its lending rate (CBR) from 8.25% to 7.25% with immediate effect. As a measure to cushion borrowers from the COVID-19 effects, commercial banks are expected to subsequently lower their interest rates and thus making it easier for micro, small and medium enterprises and other borrowers to access affordable credit.

#### iii) Cash Reserve Ratio

The Central Bank of Kenya has also reduced the cash reserve ratio from 5.25% to 4.25%. This simply implies that commercial banks will have access to an additional portion of their mandatory deposits with the Central Bank. This is estimated to be about Kshs 35 Billion and commercial banks are expected use the funds to support distressed borrowers in the wake of COVID-19 pandemic.

#### iv) Payments of Verified Pending Bills

The President also directed Ministries and Departments to facilitate the payment of at least Kshs. 13 Billion of verified pending bills within 3 weeks. This will provide a boost in cash flows among many SMEs' that supply to the government and this is also expected to improve liquidity in the economy through ripple effect

For more information on these changes please see Ronalds website [HERE](#)

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## France – An Update from Exponens

### Focus on...Support measures for business

Facing with the epidemic of Coronavirus - Covid-19, the Government announced a set of immediate measures to support businesses. A recovery plan will complete these measures and will be the subject of further notifications.

You can find the main social measures in the Focus on... "Coronavirus - rights and duties of employers" (French), as well as the orders to distribute to employees, in French and in English "Coronavirus instructions, to protect yourself and others."

### IMMEDIATE MEASURES TO SUPPORT BUSINESSES

Facing with the epidemic of Coronavirus - Covid-19, the Government announced a set of immediate measures to support businesses:

- Deferred payment of social and / or tax deadlines (URSSAF, taxes),
- In the most difficult situations, direct tax reduction can be decided with an individual examination of requests,
- Support from the State and the Banque de France (credit mediation) to negotiate with its bank a restructuring of bank credits,
- Mobilization of Bpifrance to guarantee overdraft bank facilities which companies may need due to the epidemic
- Job maintenance in companies through the simplified and reinforced partial unemployment system,
- Support for settlement of a conflict with customers or suppliers with a dedicated mediator (médiateur des entreprises),

Recognition by the State of Coronavirus as a case of force majeure for its public contracts. Consequently, for all State public contracts, the late payment penalties will not be applied.

### ABOUT DEFERRED PAYMENT OF TAX DEADLINES

- Before any further communication, tax returns must

still be filed.

- Companies with payment difficulties for their taxes due to the Coronavirus - Covid 19 can request to benefit from a payment term or a direct tax reduction, in particular for the payment of income tax payment in advance of the 16th March.
- In order to smooth the process, the French tax administration provides companies with a standard letter to send to tax administration (cf. Appendix 1). We advise you to copy the DIRECCTE contact person of your area (région).
- For professionals in difficulty, the administration provides a specific web page:  
<https://www.impots.gouv.fr/portail/professionnel/je-suis-en-situation-difficile>
- The main business support measures can be found via the following web page:  
<https://www.economie.gouv.fr/dgfip/mission-soutien-aux-entreprises>

The Minister of Economic Affairs and Finance declared, in his speech on March 13th, 2020, that the deferred tax deadlines system would be renewable until the end of the crisis.

### ABOUT BPIFRANCE SUPPORTING MEASURES

The action plan announced by Bpifrance is organized around the 3 following measures:

- Granting of the Bpifrance guarantee, which increased to 70%, for cash loans granted by French private banks to companies affected by the consequences of the Coronavirus,
- Extension of the current guarantees of investment loans, to support the redevelopments operated by banks, without bank fees,
- Reconfiguration of medium- and long-term loans for Bpifrance customers, on legitimate request by the context.
- Local contact can be reach on the following web page:

## France – An Update from Exponens (contd.)

- <https://www.bpifrance.fr/Contactez-nous>
- A hotline - 09 69 37 02 40 – has been set up to help and guide weakened companies in the steps to access Bpifrance devices likely to help them.
- The requests are made online at the following website:
- <https://contacts.bpifrance.fr/serviceclient/demande/siege>

### ABOUT IMPLEMENTATION OF THE PARTIAL UNEMPLOYMENT

The partial activity system can be requested by companies in exceptional circumstances context (article R. 5122-1 of the Labor Code). Employees who, while remaining bound to their employer by an employment contract, suffer a loss of salary due to either the temporary closure of the establishment (or part of the establishment), or the reduction of the working hours usually practiced in establishments below the legal working hours, benefit, under conditions fixed by decree in Administrative Supreme Court (Conseil d'Etat), from a specific allowance which is paid by the State.

All requests must be filled on the dedicated website <https://activitepartielle.emploi.gouv.fr/> before applying the partial activity system to staff.

However, it is not always possible to anticipate requests for partial activity before the placement of employees in partial activity systems. In this case, employers must submit their request for partial activity within a reasonable time after the start of the requested period.

Partial activity is a collective measure. Different cases may arise in the context of the epidemic, depending on which the scope of employees who can be placed in partial activity will have to be adjusted.

When the employees are in partial activity, the employment contract is suspended but not broken. Thus, during non-worked hours or periods, employees must not be at work, at the disposal of their employer and comply with its directives.

The Minister of Economic Affairs and Finance declared, in his speech of March 13th, 2020, that the allowance for partial unemployment will no longer be systematically capped at the level of a minimum wage for employees and that the State will take care of the full allowance of employees in partial unemployment system ("except for the high salaries").

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## UK – Blick Rothenberg - Seven tax tips for the next seven days

In the current economic climate, business owners should act now to protect their cash flow and manage their tax liabilities.

**1. Delay VAT payments:** VAT payments due before 30 June 2020 can be deferred until 31 March 2021. There is no application, the deferment is automatic and HM Revenue & Customs (HMRC) will not charge any interest or penalties on the deferred payment. However, VAT returns still need to be filed and the tax payer should cancel any VAT direct debits to ensure the liability isn't automatically collected by HMRC. More details can be

found in our article [here](#).

**2. Pause current tax payments:** Businesses that are having difficulty in paying existing Income Tax, Corporation Tax or PAYE/National Insurance Contribution liabilities should contact HMRC and negotiate a Time to Pay Arrangement with them. HMRC have established a dedicated helpline to support businesses having difficulties with cash flow as a result of Coronavirus. More details on negotiating a Time to Pay Arrangement, to defer tax payments, can be found in our article [here](#).

## UK – Blick Rothenberg - Seven tax tips for the next seven days (contd.)

**3. Corporation Tax – review current payments on account:** Companies that are required to pay tax in quarterly instalment payments (QIPs) calculate their estimated payments based on forward-looking profit projections. Business owners should reforecast and consider whether future QIPs can be reduced or, if QIPs have been overpaid, business owners can request a tax repayment from HMRC. Business owners may consider extending accounting periods to capture losses to immediately offset against accrued profits to date. More details can be found in our article [here](#).

**4. Prior period tax losses:** Companies and self-employed business owners should review their prior year tax returns. Previously carried forward losses may be better utilised in previous periods, possibly resulting in an immediate tax refund. Where this is possible, revised tax returns should be filed as soon as practical. Corporation Tax and Self-Assessment Tax returns can be re-filed within 12 months of their original filing date.

**5. Corporation Tax – current year tax losses:** Companies that have suffered taxable losses in their current financial period, either as a direct result of Coronavirus or otherwise, should consider how best to utilise those losses. Shortening the reporting period may accelerate this process. Alternatively, HMRC may accept documented earlier year loss relief claims prior to financial statements being approved. Losses can be carried back to the prior return and set against profits from that period reducing the tax liability. Overpayments arising from this amendment will be refunded to the business by HMRC.

**6. Corporation Tax – research and development:** Have research and development (R&D) tax relief claims been maximised? The UK tax relief for qualifying R&D expenditure is very generous and, for qualifying SME's that make losses, the loss can be sold back to HMRC for a cash tax refund. To qualify, a company must be a going concern and undertake an activity which overcomes difficulties using scientific or technological advances for which there were genuine uncertainties as to whether these could be resolved, and the solution is not commercially available, and is not knowledge that would be readily available to a competent professional. If you believe your business was undertaking R&D in prior periods, and you have not been claiming relief, you

should review the position immediately to make sure you're not missing out.

**7. Capital allowances: Have claims been maximised?** Additional claims to capital allowances in prior periods may immediately reduce the tax liability in the prior period, generating an immediate tax refund. This applies to both self-employed and corporate businesses. This quick guide covers some immediate actions that businesses owners can take today to help preserve their cash tax flow and manage their tax liabilities in the immediate future.

In our next article, we will consider what businesses owners may consider doing in the next one-to-six months to protect their businesses and take advantage of any tax incentives available to them.

Would you like to know more?

If you would like to discuss any of the above guidance or have other queries about how you can make the right decisions for the future of your business and your income, please contact your usual Blick Rothenberg contact or one of the partners to the right.

You can also visit our [Coronavirus – Practical Guidance for businesses today](#) Hub for our latest insights and [sign up here](#) to receive important Practical Guidance updates delivered directly to your inbox.

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## COVID-19: ECONOMIC IMPACT ON IRELAND

While the coronavirus is having a devastating effect on lives throughout the globe it is also crippling the economies of the World, making no distinction between wealthy developed countries and less developed poorer countries.

It has in effect brought the world to a shuddering halt with predictions that it will lead to the worst economic downturn since the Great Depression.

We will now look at the economic impact Covid-19 is having on Ireland and the outlook for the main sectors of the economy.

### Overall Economy:

Ireland's economy was in a very healthy state before the coronavirus got a hold and put it on life support. There was near full employment, salaries were increasing, Government Budgets were balanced, demand for commercial property was strong and residential property prices had stabilised.

Today, however, the Irish Government has predicted that, as a result of the coronavirus crisis the Irish economy could contract by as much as 10.5% and unemployment is likely to hit a record 22% in the second quarter of 2020. That is some turnaround in seven weeks!

The Government has stepped in to assist those who are affected by the crisis. They have introduced a Pandemic Unemployment benefit of €350 per week for any individual who has been made redundant (temporarily or permanently) as a result of Covid-19. The Government has also introduced a Wage Subsidy Scheme to assist employers retain staff on their payroll by paying up to 85% of employees' wages subject to a maximum weekly payment of €410 per employee.

### Retail Sector:

The crisis has had a particular impact on the retail sector, with the forced closure of many stores that were not deemed to supply essential products. It is expected that it will have a long-term detrimental effect on high-street stores with on-line shopping expected to surge. It is expected that many high-street stores will not reopen. We have already seen the large British retailer Debenhams enter into liquidation. This may have devastating consequences for city and town centres as well as for shopping centres.

The crisis has, however, resulted in a boom for both large

and small grocery stores with sales up by 50% in some cases. These retail stores are expected to flourish as a result of the crisis.

There should also be an increased demand for large out of town warehouses for online retailers.

### Tourism and Hospitality Sector:

The Hotel sector has been exceptionally hard hit by this crisis. Most hotels have had to close and bookings have been cancelled. It is difficult to predict how the hotel sector will be affected long term. It is expected that overseas bookings will take some time to recover but this loss will somewhat be replaced by increased bookings by Irish guests who may wish to stay in Ireland rather than risk foreign travel.

It is expected that the bar and pub trade will be severely affected by the Covid-19 crisis as these venues will more than likely be the last premises allowed to reopen. There may also be restrictions on the number of patrons allowed inside such venues. It is anticipated that a large percentage of bars and pubs will not reopen once this crisis is over. This will have an impact on society, particularly in rural Ireland where the pub is a popular venue for socialising.

Event venues are also badly affected with events such as weddings, conferences, concerts all cancelled or postponed. It will be difficult for such venues to make up these lost revenues. If the crisis is relatively short lived then it is expected that most venues will survive. However, a prolonged crisis will take its toll on this sector.

When the crisis is under control, there is expected to be a large surge in domestic tourism. However, it will take some time for the international tourist market to recover.

### Airlines & Shipping:

Ireland's two major Airlines, Aer Lingus and Ryanair, are both expected to survive the crisis intact. Ryanair has a track record of seeking an opportunity in times of crisis and is no doubt studying the current oil price with interest! When the crisis is over the short haul routes are expected to be in high demand. It may take longer for confidence to be restored in long haul travel which may have an impact on Aer Lingus' transatlantic routes.

It is also expected that shipping and ferry services from Ireland to the UK may see an increase in demand from

## COVID-19: ECONOMIC IMPACT ON IRELAND (contd.)

travellers who no longer trust the confined spaces of aircraft.

Cruise Liners are expected to suffer long term consequences as a result of this crisis.

### **Manufacturing Industry:**

A local and global recession will always have detrimental consequences for manufacturing industries and this crisis is expected to be no different. However, in the long term, it is expected that the manufacturing industry in Ireland may benefit as emphasis will now be placed on local supply chains and a preference that goods are produced locally rather than depending on supplies from foreign jurisdictions.

Ireland has a particularly large Pharma sector and this sector can only go from strength to strength as a result of this crisis. Again, it will be important that medicines are produced locally and medical research and testing are carried out in Irish laboratories. The Irish Pharma sector is expected to expand exponentially as a result of this health crisis.

### **Agriculture:**

Ireland has always had a large agricultural sector and it has also been affected by the Covid-19 crisis. Demand locally and from international customers has fallen as a result of the closure of restaurants and large fast food outlets worldwide. There has been an increase in demand for Irish agricultural products locally through the retail grocery stores. Overall Irish agriculture is expected to face a downturn in the short term. However, as the local and world economy improves, Irish agricultural products are expected to be in high demand as they traditionally have a reputation for high quality.

### **Financial:**

Similar to their worldwide counterparts, Irish banks have been affected by this crisis. The banks have agreed to offer 3-6 month loan and mortgage moratoriums and will also engage in debt restructures. It is hoped that the Irish banks are robust enough to withstand this crisis. At least this time the crisis can not be blamed on the banks!

Aircraft Finance and Leasing is a very large sector in Ireland. This sector will be affected by the slump in air travel and by the collapse of some airlines throughout the world. It is hoped that this sector will recover in the future as confidence is restored in air travel.

### **Tech:**

Similar to Pharma, Ireland has a very large Tech sector. All of the leading Global tech firms have bases in Ireland and provide well paid jobs to many thousands of staff. It is not expected that this crisis will have any detrimental impact on the tech sector. In fact, many millions of people became more dependent on social media and technology as they faced lockdown in their homes.

### **Property:**

Ireland entered this crisis with a healthy property market. There was a shortage of residential properties and demand for commercial properties was strong amongst Irish and international clients.

With unemployment increasing as a result of the crisis, there will be less demand for residential properties. This may be offset somewhat by an increase in Government funded social and affordable housing.

There is also expected to be a reduced demand for commercial property with some businesses unlikely to survive the crisis and other large companies now starting to review their requirement for large commercial or office properties with many of their staff now having the ability to work from home.

Demand for retail properties is expected to reduce drastically with many non-food retail outlets unable to survive the crisis. As previously mentioned, grocery retailers are expected to expand their operations which may partially offset the drop in demand from other retailers.

### **Healthcare:**

The Covid-19 crisis has resulted in many people re-appraising their private health insurance to ensure they have the best cover possible. However, there is also expected to be a reduction in private health insurance premiums as increased unemployment results in many people no longer able to afford private health insurance.

Private Nursing Homes and Care Homes were particularly hit hard by the crisis. This sector is expected to face many difficulties in the years ahead.

### **Future Outlook:**

In October 2019 the two main areas affecting tax policy decisions in Ireland's 2020 Budget were Brexit and Climate Change. Ireland was the fastest growing economy in the EU for the fifth consecutive year.

## COVID-19: ECONOMIC IMPACT ON IRELAND (contd.)

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Regardless, the Finance Minister delivered a frugal Budget 2020 due to Brexit concerns and Ireland finished up 2019 with a positive fiscal outlook. While enjoying ourselves over the Christmas holidays little did we know that something terrible was about to visit and before we knew it Ireland was in lockdown with significant unemployment in a matter of days. This resulted in exponential changes to our economy.

The Irish Government responded quickly and announced a range of supports for Irish businesses covering working capital loans, credit guarantee schemes and subsidy assistance for Employers to keep staff employed. While all the measures are positive, the question is, how and when will these costs be funded and repaid? Ireland has suffered a number of down turns since independence, from the oil crises to two major recessions in the 1980s but the country and its economy and systems have come a long way since then. Ireland has entered this recession fortified with a solid fiscal base and perhaps this could be one of the springboards to moving forward and help us survive this crisis.

Ireland needs to be pragmatic and plan realistically as to how businesses are going to re-open, get people off the unemployment register and begin lifting lockdown constraints by early summer as we cannot continue to finance the economy through debt. The tax take will be down for a number of years to come. Whilst Ireland can borrow at very low interest rates, the NTMA which is the Agency that borrows on behalf of the State, has increased its borrowing targets to €20-24 billion from €10-€14 billion and so these currently low interest rates must remain affordable and we will also need the continued support of the ECB. It is difficult to imagine what Budget 2021 will include. However, there are plans for a National Recovery Programme to start considering

the options. In our view Ireland's low Corporate Tax rate will not change as this is an incentive for domestic and international companies to trade in Ireland.

The Government will have to find additional taxes elsewhere, probably from personal and capital taxes.

One of Ireland's key tax policies is FDI, which we must retain as large businesses re-consider their global supply chains. Ireland has a positive business reputation globally and many international firms may see Ireland as a safe destination in which to establish a local base.

Ireland will also need to consider:

- Home based manufacturing of key products
- Increased support for Irish industry, spending more on Irish products, more domestic tourism and increased funding in hospitals and care homes.
- Investing more in housing and infrastructure
- Be better prepared for future crisis.

Overall we feel that Ireland has handled this crisis well to date. However like all other countries so much will depend on how long this crisis continues. This is a recession like no other, it is important that the Government continues to support business and encourage employment. Ireland is well placed to survive this Global crisis. However it is expected to be 2022 before the economy returns to pre Covid-19 levels.

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## BKR EMEA Tax Meeting 2020

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The annual BKR EMEA Tax Meeting for this year has been confirmed for Monday 23 November 2020. The meeting will once again be held the Hilton Amsterdam Airport Schiphol. Full details will come out later in the year.

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