

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

# Tax policy responses to the Covid-19 crisis

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# Across-country comparison

- **Broad alignment of types of measures across countries, but countries differ in “depth” of measures taken:**
  - More restrictive lock-down = more measures taken
  - Less restrictive measures = less but more “generous” measures (tbc!)
- Although **timing of implementation varies** across countries, most countries have implemented **several reforms** (and continue doing so).
- **Country variation follows the automatic stabilisers that are in place:**
  - Well-developed unemployment benefit system requires less need for temporary/ new cash transfers
- **Providing cash to households & strengthen business cash flow: limited role for tax policy measures during first stage of crisis** – very limited role of measures to support investment or consumption
- **Countries have learned from the 2008/9 crisis.** Examples:
  - Partial unemployment system
  - Measures taken to allow households to defer mortgage interest payments (e.g. Spain)



# Support to keep businesses afloat

- **Main priority for countries has been to support business cash flow**
  - **Non-tax measures:**
    - Increased lending to firms, where government takes on some risk (e.g. loan guarantees)
    - Wage subsidies paid by government to the employer (under the condition that the employer does not fire its employees)
    - Very few countries have taken measures to help businesses to defer non-tax payments or have paid non-wage subsidies to take over burden of non-wage costs.
  - **Wide range of tax administration measures**
  - **Few tax policy measures**
- **Support measures targeted at specific business sectors (tourism, transport and airlines, restaurants and bars)**



# Specific measures to boost business cash flow

## » Tax administration measures

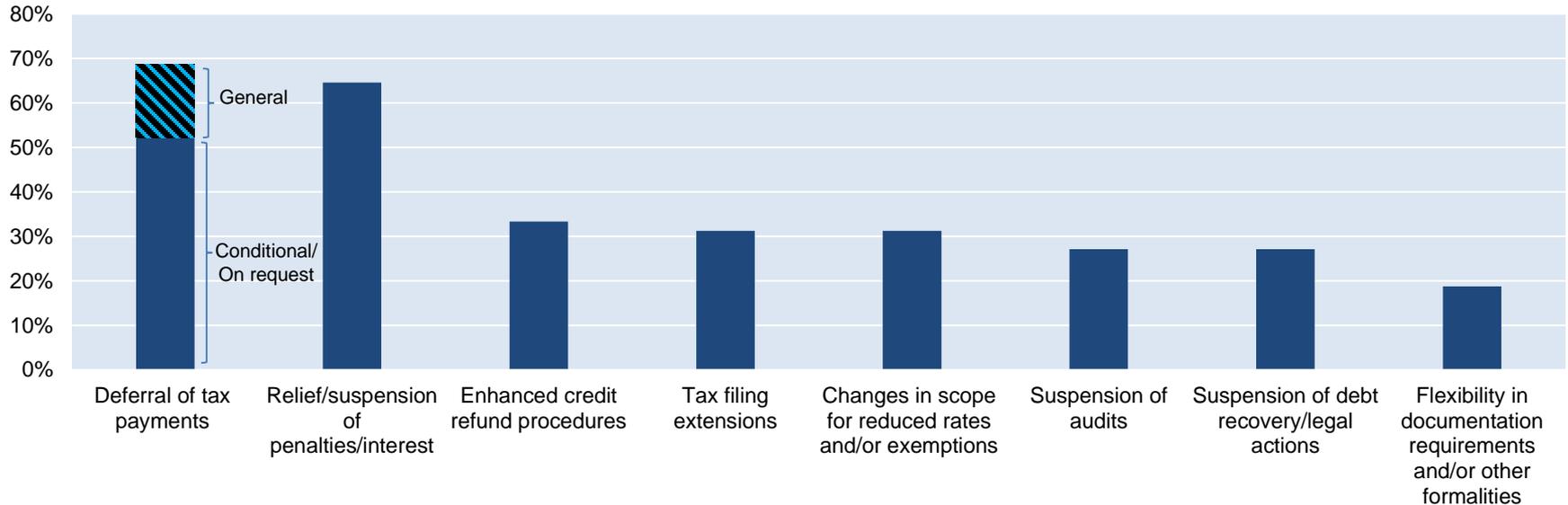
- Tax filing extension: 30% of OECD and G20 countries
- Deferral of tax and/or social security contributions (SSCs) payments and/or reduction or waiver of advance payments: 80% of OECD and G20 countries
- Enhanced tax refunds (VAT and/ or previously withheld taxes that are returned to the business): 30% of OECD and G20 countries

## » Tax policy measures

- Reduction in employer SSCs – in particular where the workers face reduced hours, but are retained
- Enhanced tax loss provisions (carry-forward or carry-backward) (e.g. in CZE, NOR, POL, SVK, USA)



# Overview of main VAT/GST measures in OECD/G20 countries



Source: OECD research



# Cash-flow support for households

- **Cash-transfers**
  - **Partial unemployment scheme for workers that continue to be employed**, e.g. wage subsidies, but paid to the employee rather than the employer
  - **Wage subsidies for individuals that have to stay at home to take care of children**
  - **Increased eligibility of cash transfers**, e.g. extending the availability of unemployment benefits to the self-employed
  - **Increased access to benefits**, e.g. no longer waiting period before sickness/unemployment benefits can be received
  - **Increased amounts of benefits**
- **Tax administration measures:** deferral of tax liabilities, extend filing deadlines, etc.
- **Hardly any tax policy measure taken so far**
- **Deferral of household fixed costs** (e.g. CHL, ESP, FIN, IRL, GBR, GRC)



# Tax measures to support the healthcare sector

- **Personal Income Tax and/or Social Security Contributions reductions for health sector workers**, e.g. bonuses, overtime, etc.
- **Measures to increase number of health sector workers**, e.g. entice retired workers back into the sector without affecting their pension rights or benefit entitlements
- **Business tax rate cuts or accelerated tax depreciation targeted at production of health equipment, goods and services**
- **VAT exemptions/ rate reductions for medicines, equipment and services rendered in the fight against virus**, about 25% of OECD and G20 countries
- **Expediting customs clearance of goods in support of the fight against Covid-19**
- **Tax support for medical and charitable donations**
- **Encouraging payments by credit card**



# Measures announced in developing countries

- » **Overall similar tax measures taken as OECD and G20 countries**, with focus on strengthening business cash flow and health sector.
- » **In some developing countries, also informal sector workers have received support**, e.g. cash transfers
- » **Some developing countries have used this crisis as a “window of opportunity” to pass broader tax policy reforms**, e.g. introduction of progressive PIT rate schedule and rate reductions



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