



9 April 2020, Issue 5

# UPDATE

on COVID-19

## The Belt and Road Initiative Tax Administration Cooperation Mechanism

### **EDITOR'S NOTE:**

At this critical moment in the world's fight against the COVID-19, the Special Edition of the BRITACOM Update on COVID-19 is issued, aiming to provide a platform for BRITACOM Council Members, Observers and other stakeholders to exchange views and share experience in responding to the outbreak. Issue 5 is an article on Fiscal Stimulus Measures in Response to COVID-19 contributed by Hafiz Choudhury<sup>1</sup> and Daniel A. Witt<sup>2</sup>. Later we will share more experience of tax administrations from countries and regions and views of international tax experts with you. If you would like to make contributions to the Special Edition, please contact us via email [britacom@163.com](mailto:britacom@163.com).

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# Fiscal Stimulus Measures in Response to COVID-19: A Comparative Analysis and Future Approaches for Key BRI Jurisdictions<sup>3</sup>

## I. Introduction

The COVID-19 virus has rapidly escalated from a localized health emergency to a global pandemic at an unprecedented speed, with a global footprint expanding at an exponential rate.<sup>4</sup> The public health measures to prevent further spread of the virus has resulted in an economic shock that threaten grave consequences, rivalling or even exceeding the Great Depression. Governments around the world, including many BRI countries, have been considering, or have already announced, a range of both fiscal and monetary policy measures to combat the economic effects of the crisis.

Many governments have also announced expenditure measures, and there is discussion at the G7 level of global measures to protect the global economy. Further, many developing and middle-income countries, including those within the BRI, urgently require billions of dollars to scale up their public health response. BRI could play a role in fostering an insurance-based mechanism to raise money for pandemic responses in low-income countries through “catastrophe bonds” and derivatives in a manner similar to the World Bank Pandemic Emergency Financing Facility (PEF).

As a contribution to the journal of BRITACOM<sup>5</sup>, this paper, however, focuses on a review of the tax measures taken and seeks to identify the most effective steps. It commences with a brief look at the measures taken in the financial crisis of 2008/09, and then narrows the comparison down to tax policy measures with particular emphasis on China and key BRI nations.

## II. Measures taken in the global financial crisis

The financial crisis of 2008/09 was preceded by a squeeze on credit and was precipitated by a banking crisis as financial assets held by banks lost their value after a fall in the prices of assets on which they were based. The economic measures taken in the crisis focused firstly on saving the

<sup>3</sup> This paper was originally published in Tax Notes International on 11 May 2020.

<sup>4</sup> As at 31 March 2020, there were more than 780,000 confirmed cases, 37,000+ fatalities and has spread to over 160 countries.

<sup>5</sup> The Belt and Road Initiative Tax Administration Cooperation (BRITACOM) was established by the Astana agreement in Kazakhstan in May 2018 with participation from more than 50 countries, regions and international organizations. BRITACOM aims to facilitate cross-border trade by improving tax dispute resolution; increasing transparency; streamlining tax compliance; and promoting electronic tax filing. See <http://www.chinatax.gov.cn/eng/n4260854/c5112278/content.html>.

banks and the financial system. In some countries, including some OECD countries and China, there was also increased spending on infrastructure projects<sup>6</sup>.

The OECD was concerned with the potential unemployment of skilled workers during the crisis and the possible depletion of human capital. The OECD thus urged member countries to make provision for education and training of workers laid off in the crisis, to ensure that they kept their skills up to date and where necessary adapted their skills so they could subsequently work in newer sectors.

The economic measures taken during the financial crisis were primarily aimed to stimulate demand in the short term by providing cash where needed and protecting employment. Measures were also taken to promote medium- to long-term growth by means of investments and incentives to stimulate research and development and innovation.

Measures taken by OECD countries in the crisis fell into the following categories:

- Measures to rescue the banks and financial system;
- Support for business through tax cuts, short term credit guarantees, reduction of labor costs and incentives to retain staff;
- Support for particular industrial sectors such as the automobile and construction industries;
- Measures to support individuals and households including tax cuts, cash pay-outs, unemployment benefit or reduced healthcare costs;
- Promotion of innovation and long-term growth by means of incentives and investment; and
- Spending on longer term growth devoted to investments in infrastructure, education and training and developing innovative areas such as green technology.

A more detailed look at the tax measures taken during that time show the following approaches:

<b><i>Tax relief and exemptions</i></b>	Tax changes and other measures were also taken to support businesses and individuals, including support for key industries. The emphasis was on measures that would provide fast relief, so a VAT reduction was implemented in some countries as the effect on prices would be immediate.
<b><i>Tax administration measures</i></b>	Tax administrative measures were also implemented, such as deferred tax filing deadlines and payment dates to help taxpayers with cash flow problems. Measures taken by OECD countries also aimed to lay the basis for longer term growth by encouraging innovation and research and development in areas such as clean energy and other green technology.

<sup>6</sup> See "Policy Responses to the Economic Crisis: Investing in Innovation for Long-Term Growth, OECD 2009

<p><b>Special measures for SMEs</b></p>	<p>The importance of SMEs in providing employment and promoting economic growth was recognized by governments during the financial crisis. One of the main problems for small and medium enterprises (SMEs) was the lack of access to credit and governments therefore put forward schemes involving guarantees to encourage banks to lend and to help SMEs access funds more easily.</p>
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### III. Current coronavirus crisis

The economic crisis resulting from the coronavirus pandemic is currently expected by many countries to be relatively short in duration compared to the effects of the financial crisis; and the aim is to take targeted measures in a timely manner to help businesses and individuals through the crisis. This view may change, as the OECD has warned that the economic effects of the crisis may continue for some time. Economic forecasts are being revised, and it is quite possible that a number of countries will fall back into a recession. If this is the case, countries should be looking at measures to stimulate the economy, such as support for research and development, innovation and training, rather than merely stop-gap measures to keep businesses going in the short term.

The economic measures being taken during the coronavirus are tending to focus less on helping banks and more on ensuring the survival of businesses that have severe cash flow and other problems through no fault of their own. The measures also aim to protect employees and self-employed individuals from the consequences of a temporary halt in production in many industries. Immediate help is being provided for businesses and individuals in hardship.

The measures taken by key OECD and BRI countries to combat the economic effects of the coronavirus crisis were analyzed for this paper; the table at Annex 1 shows detail of the measures taken. The countries were selected for the sample based on (a) their relative impact in the global economy or (b) their role as representing different categories of BRI member states. A more detailed list, covering measures taken by 96 jurisdictions is available at [www.regfollower.com](http://www.regfollower.com).

### IV. Measures taken by OECD countries

OECD countries have introduced emergency packages to help businesses and individuals through government loans or guarantees or through the tax and welfare systems. Examples of measures taken are deferral of income tax and VAT filing deadlines and payment dates for businesses and individuals, combined in many cases with the provision of government loans, guarantees or grants to businesses and deferral of mortgage payments for individuals.

A thematic analysis follows:



<p><b>Use of losses</b></p>	<p>Where businesses have been making losses their cash flow may be eased if they can offset these losses against profits of previous years and obtain a tax reduction or refund. Measures taken by the US to help business in the phase three legislation (CARES Act)<sup>7</sup> passed in March 2020 include a five-year net operating loss carry-back for losses incurred in years beginning in 2018, 2019 or 2020. Italy is allowing banks in some cases to surrender carried forward losses to obtain tax credits.</p>
<p><b>Additional deductions</b></p>	<p>The US<sup>8</sup> has implemented a measure to allow the maximum deduction for interest expenses to increase from 30% to 50% of adjusted taxable income for tax years beginning in 2019 and 2020. Also, a new temporary refundable 50% employee retention credit is available to employers that have partially or fully suspended their business due to the coronavirus crisis, or whose gross receipts have significantly declined due to the crisis.</p> <p>Additionally, in the US, a new temporary refundable 50% employee retention credit is available for employers, subject to a full or partial suspension of their business in the coronavirus crisis, or whose gross receipts have significantly declined due to the crisis.</p>
<p><b>Accelerated refunds</b></p>	<p>The US has legislated for accelerated refunds of alternative minimum tax (AMT)<sup>9</sup> credits relating to tax years beginning in 2019. In March 2020 the Phase Two legislation introduced a business tax credit for some employers who have fewer than 500 employees to assist with paid sick leave and paid family and medical leave until the end of 2020.</p> <p>Refunds by the French government in relation to R&amp;D tax credits and the tax credit for competition and employment (CICE) due in 2020 will be accelerated and paid as soon as possible after they become due.</p>
<p><b>Deferral of deadlines and payments</b></p>	<p>The UK<sup>10</sup> has provided tax deadline deferrals, loans and grants for businesses unable to operate in the crisis and compensation for individual employees and self-employed people unable to work from home in the crisis. VAT return deadline deferrals have been introduced and businesses have been given more time to pay the VAT liabilities to the government. For self-employed individuals the final tax payment for tax year 2019/20 has been deferred from 31 July 2020 to 31 January 2021.</p> <p>France<sup>11</sup> has deferred the corporate income tax instalment due on 15 March until 15 June for all companies, and those companies that have already paid the instalment may claim a refund. For individuals there is a deferral of direct tax payments and of social security contributions for up to three months, without liability to penalties. There is also deferral of some local taxes.</p> <p>In Germany<sup>12</sup> taxable persons significantly affected by the crisis may until 31</p>

<sup>7</sup> Coronavirus Aid, Relief, and Economic Security (CARES) Act

<sup>8</sup> <https://regfollower.com/2020/03/31/covid-19-us-passes-coronavirus-aid-relief-and-economic-security-cares-act/>

<sup>9</sup> <https://home.kpmg/content/dam/kpmg/us/pdf/2020/03/tnf-cares-act-signed-mar30-2020.pdf>

<sup>10</sup> <https://www.icaew.com/insights/tax-news/2020/mar-2020/covid19-vat-and-self-assessment-payment-deferral>

<sup>11</sup> <https://cms.law/en/fra/news-information/exceptional-tax-measures-to-support-businesses-affected-by-coronavirus-covid-19>

<sup>12</sup> <https://regfollower.com/2020/03/24/covid-19-germany-releases-a-decree-on-tax-relief-measure/>

	December 2020 submit applications to defer certain taxes due or that will become due up to that date, including income tax, corporation tax, solidarity surcharge and VAT. Applications may also be made by affected businesses to adjust prepayments on income and corporation tax, and generally interest and late payment penalties on deferral can be waived. Further, applications may be made for deferral of personal income tax by individuals directly and significantly affected by the crisis, up to 31 December 2020. Applications for deferral of VAT may also be made by significantly affected businesses. <sup>13</sup>
<b><i>Conversion of tax losses into tax credits</i></b>	To help banks with their cash flow Italy has given them the chance to convert future deductions for tax losses and notional interest into tax credits. Banks selling their troubled loans will be able to convert future deductions into tax credits that are worth up to 20% of the face value of the loans sold. It will then be possible to offset those tax credits against tax payments, and if the credits exceed the tax liability it will be possible to claim a refund. This is a way of bringing forward valuable tax assets and converting them into cash in the current year to ease cash flow in a time of crisis.

#### V. Measures taken by China

The measures taken in China<sup>14</sup> require detailed analysis, given its key leadership role within BRI. A number of cities and industries across China have been affected by the coronavirus crisis, in particular service sectors such as tourism, hotels, education and training. Measures taken seem to address the immediate issues, but they should be reviewed further in the context of developments in the economies of BRI nations, given the role of China as the engine of growth within BRI.

<b><i>Enterprises Supplying relevant goods and services</i></b>	<p>Tax incentives covering VAT and enterprise income tax were also announced for enterprises engaged in the production of supplies important for containing and protecting personnel from the coronavirus outbreak, including masks and protective clothing. A 100% deduction was introduced for investments in equipment as part of an expansion of production capacity.</p> <p>To help with cash flow, enterprises producing supplies for coronavirus protection and containment may obtain a full refund of excess input VAT balances. Monthly applications may be made for the refunds. Enterprises transporting the protective items are also eligible for a VAT exemption. An exemption from VAT has been introduced for micro, small and medium enterprises in Hubei province, and the VAT rate has been reduced from 3% to 1% for MSMEs in located other areas, with effect from March 1 until May 31, 2020.</p>
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<sup>13</sup> <https://home.kpmg/us/en/home/insights/2020/03/tnf-germany-additional-tax-relief-response-coronavirus.html>

<sup>14</sup> <http://www.chinatax.gov.cn/eng/n4260854/c5146227/5146227/files/2c0c7d469b204e57d2bf27f5f36.pdf>

<b><i>Affected Enterprises</i></b>	Enterprises will also be able to carry forward tax losses incurred for the year 2020 for a period of eight years, instead of the normal period of five years, if they are operating in the transportation, catering, accommodation and tourism sectors.
<b><i>Service sector</i></b>	A wide range of consumer services were exempted from VAT. These included medical services, catering, accommodation and personal services such as hairdressing and laundry that would normally pay VAT at a rate of 6%. Public transportation and express delivery services provided to residents were also exempted, with the exemption to remain in place until the crisis is under control.
<b><i>Individuals</i></b>	There are also individual income tax exemptions for bonuses and subsidies paid to medical staff working to combat the coronavirus outbreak. Donations of money and goods by individuals or enterprises to help combat the coronavirus outbreak were exempted from VAT and consumption tax and a deduction was available against income or corporate income tax for donations made. Exemptions from import tax on donations apply for the period from 1 January 2020 to 31 March 2020.
<b><i>Tax Administration</i></b>	The statutory tax filing deadline for February 2020 was extended until 28 February 2020, with further extensions possible if agreed by local tax authorities in areas especially affected such as Hubei province. Taxpayers and withholding agents hit by the crisis could apply for a further extension of tax payment deadlines if necessary and they were also encouraged to deal with their tax affairs remotely rather than using methods involving personal contact.
<b><i>Local measures</i></b>	Some provincial and local governments introduced other relief measures including deferral of social security contributions and reductions in real estate tax and urban land use tax for enterprises with cash flow problems or for SMEs.

## **VI. Measures taken by key BRI countries**

BRI nations have also recognized the profound economic risks caused by the crisis.

A brief analysis of the types of measures being implemented follows:

<b><i>Tax cuts</i></b>	<p>There have been some tax cuts in response to the coronavirus, but on a much smaller scale and for a shorter time span than those implemented during the financial crisis. Kenya has cut the VAT rate from 16% to 14% and accelerated VAT refund claims; and Turkey has cut the VAT rate by 1% for services of domestic airlines. Kazakhstan has exempted agribusiness from VAT on the import of biological assets.</p> <p>A fast effect can also be produced by the reduction of excise taxes, fees or local taxes. For example, in Indonesia local hotel and restaurant taxes will</p>
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	<p>be relieved for six months; and Egypt<sup>15</sup> has reduced stamp duty on transactions on the stock exchange. Uzbekistan<sup>16</sup> has suspended tourist duty from 1 April to 1 July 2020; reduced special duty on wholesalers for alcohol products from 5% to 3% in the period from 1 April 2020 to 1 October 2020; and reduced fees for sale of alcohol by catering establishments by 25% in the period from 1 April to 1 October 2020.</p> <p>Some direct tax measures have been taken, either in the form of a tax rate cut or as increased deductions or credits. Singapore<sup>17</sup> is supporting companies with their cash flow by allowing a corporate income tax rebate of 25% of tax payable for the year of assessment 2020, capped at SGD 15,000. In addition to an enhancement of the loss carry-back relief scheme Singapore is allowing taxpayers to accelerate capital allowance claims for fixed assets acquired in financial year 2020 and also permitting deductions for renovation and refurbishment expenses incurred in financial year 2020. Kazakhstan is allowing a tax credit equal to 50% of expenses for sanitizing the environment and for some work tools; and is offering a tax credit for shops and stores equal to 60% of the monthly rental for real estate properties.</p>
<b>Trade taxes</b>	<p>Customs duties and related administration charges are also relaxed by some countries, for example Dubai<sup>18</sup> has implemented a refund of 20% of customs duties paid on imported goods that are sold locally; cancelled a requirement for bank guarantees to clear goods and implemented a 90% reduction of customs clearance fees.</p>
<b>Deferral of tax filing</b>	<p>Assisting taxpayers through the crisis by deferral of tax filing deadlines is the most commonly used tax procedure to relieve the administrative burden for taxpayers during the crisis. This move is important for taxpayers who are unable to go to their workplace and are not in a position to do the compliance work associated with corporate or individual income tax or VAT. For example, Malaysia<sup>19</sup> has granted taxpayers an extension of two months for submissions due; Kazakhstan<sup>20</sup> is extending the deadline for submission of certain 2019 tax returns to 30 April 2020; and Saudi Arabia<sup>21</sup> is extending corporate tax, zakat and VAT filing deadlines.</p>

<sup>15</sup> <https://www.pwc.com/m1/en/services/tax/me-tax-legal-news/2020/middle-east-tax-other-measures-response-to-covid-19.html>

<sup>16</sup> <https://www.pwc.com/gx/en/assets/tax/covid-19-global-master-master-document-tax-measures-web.pdf>

<sup>17</sup> <https://regfollower.com/2020/03/31/singapore-supportive-tax-measures-in-response-to-covid-19-pandemic/>

<sup>18</sup> <https://home.kpmg/us/en/home/insights/2020/03/tnf-uae-customs-duty-refunds-customs-relief-in-dubai-covid-19.html>

<sup>19</sup> <https://regfollower.com/2020/03/29/covid-19-malaysia-extends-income-tax-filing-deadline/>

<sup>20</sup> <https://www.pwc.com/gx/en/assets/tax/covid-19-global-master-master-document-tax-measures-web.pdf>

<sup>21</sup> <https://www.pwc.com/gx/en/assets/tax/covid-19-global-master-master-document-tax-measures-web.pdf>



<p><b>Deferral of tax payments</b></p>	<p>Deferral of various types of direct tax or VAT payments, without interest or penalties, is a commonly used tool to help taxpayers through the crisis. Relief is extended in a number of countries to other direct taxes and fees, and to local taxes. Taxpayer cash flow can also be helped in some cases by speeding up VAT refunds, as China itself has done in some cases. Indonesia<sup>22</sup> is permitting taxpayers to delay payments of corporate and income tax on the sale of imported goods effective from 1 April 2020; Singapore is allowing a two-month delay for some tax instalments without incurring interest; and Oman has announced some exemptions from municipal taxes until 31 August 2020.</p>
<p><b>Local taxes</b></p>	<p>Reduction of the burden of local taxes can help cash flow especially for small businesses, for which local taxes can be an important cost, and can help to keep them afloat during difficult periods. Oman<sup>23</sup> for example has announced exemptions from municipal taxes. Effective immediately is an exemption from Tourist and Municipal Tax for restaurants until 31 August 2020; and an exemption from Municipal Tax for commercial establishments until 31 August 2020.</p>
<p><b>Tax Administration</b></p>	<p>A number of the BRI countries are requesting taxpayers to file their returns electronically where possible or to use the post rather than going in person to the tax office. An example is Nigeria<sup>24</sup> where taxpayers have been requested to use existing online platforms for filing various tax returns and have provided contact numbers within the tax administration for telephone conversations and email. The online platforms already existed before the crisis, but Nigeria can now extend their use by taxpayers through further publicity for these channels of communication. Another example is Turkey<sup>25</sup>, which is encouraging taxpayers to make their disclosures, returns and applications by electronic means or by post. This exercise in taxpayer education should have the effect of increasing the efficiency of tax administration when the crisis is over and helps countries to continue implementing this aspect of the Astana agreement.</p>

## VII. Tax reform trends and considerations for the future

The major trends observed across regions of the world are:

- Deferral of tax liabilities and other liquidity measures
- Extension of deadlines and relaxations of sanctions for late payment

<sup>22</sup> <https://regfollower.com/2020/03/23/covid-19-indonesia-provides-relaxation-of-import-taxes-for-companies-in-the-manufacturing-sector/>

<sup>23</sup> <https://www.omanobserver.om/coronavirus-govt-announces-loan-exemptions/>

<sup>24</sup> <https://regfollower.com/2020/03/29/nigeria-firs-announces-tax-relief-measures-during-covid-19-pandemic/>

<sup>25</sup> <https://regfollower.com/2020/03/31/turkey-tax-measures-due-to-covid-19-pandemic/>

- Measures to protect employment such as reductions of payroll tax and relaxations on the requirements for employee withholding taxes.
- Measures for small and medium sized enterprises (SMEs), especially those that protect their employees.
- Measures that support industries that help combat the effects of the virus
- Measures to support food, hospitality and travel businesses
- Measures to encourage investment in particular sectors, including recognizing the need to relax some anti-abuse measures where they might hinder such investment.
- Reductions of corporate and personal income tax rates in some countries.
- Indirect tax measures to support key sectors of the economy.

BRI countries are in a position where they cannot easily renounce tax revenue. In many cases they already have a low tax-to-GDP ratio that needs to be improved if they are to obtain the desired level of development. On the other hand, they also need to help businesses that may have problems during the coronavirus crisis, especially in the period from March to June or July 2020.

Most of the measures taken initially in the crisis have been short term measures aiming to keep businesses and individuals going and shield them from the worst effects of the shutdowns and restrictive measures to combat the coronavirus. As the dangers of recession and longer-term effects on the economy grow, countries will need to consider measures to stimulate the economy and promote longer term growth. As in the financial crisis of 2008/09 this will require additional government support for loans and other forms of credit, especially for SMEs, and more incentives for innovation, research and development and support for education and training.

### **VIII. Recommendations for BRI Countries**

Policy interventions in BRI countries, while primarily focused on urgent domestic priorities, should also bear in mind the need to foster increased connectivity between BRI nations, and to keep open the channels of trade and investment. Policymakers must resist the temptation to close borders and focus on recovery within their own country; the lessons from the Great Depression and the impact of protectionist policies in 1920s should not be forgotten. The rise of nationalist governments and the backlash against globalization in the backdrop of the global financial crisis is well documented. Many of these nationalist movements are seizing on the Covid-19 crisis as an opportunity to argue against globalization and the movement of ideas, people, goods, services and investment. While some restrictions are absolutely necessary in view of current conditions,

policymakers in BRI countries have an opportunity to demonstrate to the world their commitment to open trade and investment in their tax policy responses to the crisis.

The most effective tax measures at this stage of the coronavirus crisis are those that can help businesses to improve their cash flow and stay in business. At a later point it may be necessary to introduce further measures to stimulate the economies. One of the best measures that can be taken to relieve the burden on business is to defer tax payments until later in the year, thereby helping the cash flow of businesses and of the individuals working for them.

To ease cash-flow problems, businesses could be given the opportunity to convert unused tax losses or other unused deductions into tax credits so they can be used in the current period either to offset against other tax liabilities or to obtain a refund. Italy has introduced this type of measure for banks, but it would also be suitable for other types of business in the crisis. The ability to convert deferred tax assets into current credits helps the cash flow of businesses in a period where they may be making losses and unable to offset losses or deductions in any other way.

Where there is fiscal room to make tax cuts, it is suggested that cuts in indirect taxation are likely to have the most impact. The advantage of a VAT rate cut is that it has an immediate effect on prices, whereas the effect of an income tax cut filters through over a longer time span of a year or more depending on the filing and payment dates. In the coronavirus crisis, which is currently expected by many countries to be of limited duration, the emphasis is on cuts that will have an immediate effect.

#### **A. Measures to help business could include:**

- Deferral of tax deadlines and payment dates and deferment of social security contributions, combined with government loans on favorable terms, guarantees and grants where necessary;
- Supporting small and medium enterprises through and beyond the crisis recognizing that such firms have lower reserves and limited access to capital;
- Measures such as relief or exemption for smaller businesses from local taxes;
- Enhancing measures to enable VAT repayments from government, such as refunds for exporters, and to permit businesses where possible to opt for a shorter VAT reporting period, for example one month instead of three months, so the refund can be obtained more quickly.

## **B. Measures to help individuals could include:**

- Businesses could be encouraged to retain employees and continue paying them, by the provision of government loans or the provision of grants to businesses that may be dependent on retaining staff.
- Payroll tax relaxations or deferral can help maintain jobs while a business may be under severe financial pressure or may even have to suspend trading for a period of time.
- Self-employed individuals could be helped by deferral of tax payment deadlines and through deferral of mortgage payments or help with rent payments. It may also be possible to use government transfers to compensate self-employed individuals for a fall in income.

Temporary relief or exemption from local taxes, combined with deferral of local tax payment dates, is also important in supporting small and medium enterprises during the crisis period. Targeted measures may also be taken to relieve the financial burden on health workers and to facilitate the import, production and transport of essential medical equipment.

Further tax administrative measures could include: (1) The introduction of electronic filing where this is not yet available to all taxpayers; and (2) Taxpayer education measures to ensure that all taxpayers are aware of the tax relief available to them and of how to access the relief.

## **IX. Conclusion**

BRITACOM has an important role to play in coordinating the tax policy responses to the crisis in BRI countries. This is particularly true in the second stage of reforms mentioned above, i.e. those that seek to address longer-term and second-order effects of the immediate policy measures taken. It is also suggested that BRITACOM should also consider convening, through remote conferencing at the initial stage, meetings of policymakers to raise awareness of the risks of protectionist policies and the need for tax measures to continue to foster open trade and investment. The same forum could also coordinate the responses of BRI nations to the complex range of international tax policy measures currently under discussion at the Platform for Cooperation on Taxation level, including the World Bank, the OECD, IMF, and the UN.

In this context, it is worth mentioning that tax administration resources, especially in developing countries, are stretched by the need to administer measures to deal with the crisis while also needing to protect staff. There are various measures in the pipeline from the OECD in particular, in connection with further transparency and anti-avoidance; tax administrations are currently not well placed to increase the work of supervision and compliance. It might therefore be best for the



ongoing initiatives from the OECD to be put on hold until countries and their taxpayers are in a better position to cope with the administrative burden that will be involved.

Finally, BRITACOM can play a vital role in assisting Chinese policymakers in understanding the fiscal and economic policy drivers in important BRI nations, and to understand the highest priorities for such countries in seeking foreign investment to meet the challenges caused by the crisis. China, as the key nation with substantial investable surpluses, will be well positioned to be the engine of growth to help many BRI countries overcome the economic dislocation caused by the crisis. It is therefore important that BRI nations be more aware of the role BRITACOM can play in this regard and facilitate the dialogue between countries to reduce the negative impact on their respective economies and resume the path to growth and prosperity.



## **BRITACOM Update**

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