



Addressing the impact of COVID-19 Tax incentives and government relief

Due to the outbreak of COVID-19 and the uncertainties that it has brought to the economies worldwide, most businesses are facing cash flow and financing pressure, and some small and medium enterprises and certain companies in specific industries (such as transportation and hospitality) may even face business continuity issues.

What we are seeing:

- As a result of local and international travel bans, as well as quarantine requirements, many businesses are implementing flexible and remote working arrangements to comply with government regulations and to safeguard talent.
- We expect more and more companies to apply cost-saving measures in the coming months to increase their resilience to deal with the crisis.
- To support business through this difficult time, many governments have issued rules and regulations that offer tax incentives and relief for corporations and individuals, such as deferral of tax filing and payments, payroll tax and social security deferral or reduction, and low interest financing, and more may be expected.

What major events like this teach us

Cash is king, and cost savings is a must. CFOs and tax directors should consider quickly adapting their focus from long-term investments and strategies to short-term cash management and immediate cost saving measures to protect the business, such as:

- Cash refunds and rebates making full use of tax incentives and government relief
- Deferral of cash tax payments, social security payments, rentals, government charges, etc.
- Acceleration of tax deductions and utilization of tax losses
- Government-sponsored short-term /special-purpose loans

Practical next steps

- Closely monitor and map out the eligible COVID-19 related tax incentives and government relief:
 - ✓ Keep a close watch on the recently issued COVID-19 related tax incentives and government relief. These policies are scattered among different rules and regulations issued by central/federal government agencies. Further implementation rules are sometimes issued at the provincial/state or municipal level, which may vary considerably;
 - ✓ Map out your eligibility and the financial impact to your legal entities and individuals, including at the group level
 - ✓ Understand the application requirements, procedures and timelines with the competent government authorities
 - ✓ Develop an action plan with clear timelines and responsible parties, take action, and regularly monitor progress
- Take stock of pre-existing preferential tax treatments, government relief, and cash saving opportunities:
 - ✓ Evaluate other available tax savings and government relief, which may not be directly related to COVID-19 (e.g., high tech status, R&D super deduction, VAT exemption and refund on exports, or refund of VAT input credit)
 - ✓ When evaluating these opportunities, consider the need for planning and business restructuring, and the associated costs and benefits
 - ✓ For incentives and relief currently being enjoyed, evaluate whether they will be affected by the impact of COVID-19 on business operations and financial statements, and take proactive action to address any potential issues
- Ensure continuous tax compliance:
 - ✓ Continue to manage your regular tax compliance obligations carefully, such as monthly, quarterly and annual tax filings, and other statutory filings
 - ✓ Pay attention to the special filing and documentation requirements in relation to tax incentives and relief, such as maintaining valid proof to substantiate tax deduction of charitable donations

For more information on how to respond, recover and thrive:

- Connect to Deloitte leaders www.deloitte.com/COVID-19-leaders
- Visit www.deloitte.com/COVID-19

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