F.O.R.C.E.

(FISCAL OPTIONS & RESPONSE TO COVID-19 EPIDEMIC)

Recommendations of the Indian Revenue Service on revenue mobilization and economic impetus to fight COVID-19

FORCE 1.0

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Chapter 1: Domestic Economic Scenario

Chapter 2: Tax Administration

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PREFACE

Year 2020 brought with it what can only be described as the worst global crisis of the new millennium: COVID-19. The lightning speed of its spread and the lethal trajectory of the pandemic have left the world gasping. The human and economic cost it will extract is something that is yet to be fathomed. COVID-19 has struck across the entire spectrum of nations from developing to the most developed and of people from the poorest to the wealthiest. India is no exception.

Government of India responded to COVID-19 with alacrity, determination and poise as a nation of more than 1.3 billion came together at the clarion call of Our Hon'ble Prime Minister and vowed to fight a united War Against COVID-19. Private citizens, organisations, medical workers, business entities, scientists, engineers, influencers, economists, media men, everyone joined the efforts of state and federal authorities in the face of this unprecedented threat.

As the nation went into a strategic and defensive huddle, 50 plus young officers of Indian Revenue Service (IT) came together to leverage their combined knowledge, expertise and love for India and find some more solutions, suggestions and options that will help with the treatment for the economic pain that the country is suffering. Focusing thoughts and efforts on their domain knowledge and expertise, this volunteering initiative tried to identify actionable areas to mobilise revenue while protecting taxpayers' welfare as a fiscal policy response in general and response of direct taxes administration in particular.

As officers of a Central Civil Services, this is a sincere and humble attempt by us to contribute to the policy initiatives of Government of India in this grave crisis. The short term and medium-term measures discussed in this document represent some ideas which can be further deliberated upon by our policy makers, fiscal policy experts, economists, business leaders, finance and tax professionals, media and all other stakeholders in order to provide relief and fiscal impetus in these testing times.

"As soon as the fear approaches near, attack and destroy it." - Chanakya

Jai Hind!

Thanks &Regards,

Team FORCE
A volunteering initiative by IRS(IT) officers

Chapter 1: Domestic Economic Scenario

PART 1: COVID-19 shocks

1. Introduction:

1.1.1 There are various containment measures implemented by Government of India to prevent the spread of COVID 19 (Coronavirus diseases 2019. It is declared as **'World Health Emergency'** by WHO in March11,2020. There is almost complete shutdown of the Economic activities in both domestic and international trade,which is unprecedented in the history of mankind.

1.1.2 The world in general, and India in particular, is staring at the worst economic crisis since 2008, due to the ongoing health crisis brought about by the rapid spread of Covid-19 And most importantly, almost million people are expected to be pushed below the poverty line, doing irreversible damage to the economy and undoing a lot of the gains achieved in the past 20-30 years in poverty alleviation and increased standard of living.

1.1.3 By all accounts, the greatest economic brunt of Covid-19 will be borne by the poor and low-income earning segment of our population. Therefore, the government's primary focus should be on providing income support, especially to the underprivileged segments such as daily wage workers, migrant labourers, and the like. For the tax-paying population, the government needs to boost household consumption expenditure to boost demand, for which tax provisions that incentivize savings may need to be tweaked. Among corporates, the small and medium enterprises segment (SME) would be the hardest hit. This sector is also important from the perspective of job creation and retention of existing jobs in this period.

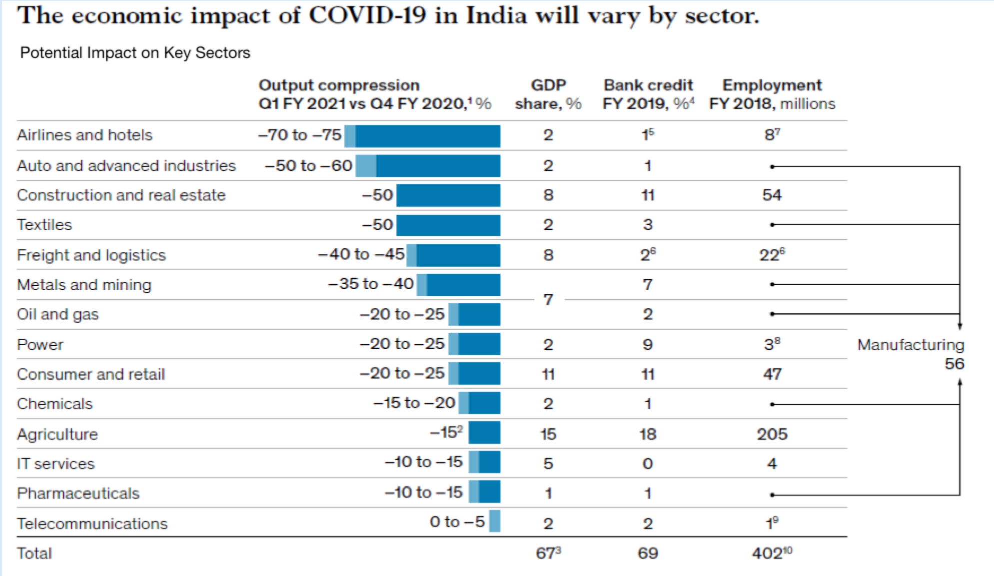
1.1.4 But as we all know – *Kosha Muloh Dandah*. Such a large scale expansion of mandate will need to be financed, and that will require revenue. Tax revenues – both direct and indirect – are expected to take a substantial hit due to the loss of economic activity ***(for a detailed revenue impact analysis, see section on "Revenue Impact Analysis"***. In terms of financing, there is a general consensus that the government needs to run a much larger fiscal deficit in the coming few years in order to revive economic growth. However, a very high fiscal deficit may make the government's debt burden unsustainable, leaving it with very little fiscal space for further interventions whenever necessary. Accordingly, there should be an attempt to identify creative ways to mobilize additional tax and non-tax revenue, without in any way burdening the taxpayers.

1.1.5 Several forecasts show that global reduction in GDP could be varying from 2.2% as predicted by Economist Intelligence Unit to 1.9% according to Fitch Ratings. COVID 19 will impact stock markets across the world and thus impact investment in the industry. The impact is already visible with major stock indices of the world falling by 20-30%.

1.1.6 World Merchandise Trade is also set to plummet by 13-22% in the year 2020. Nearly, all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest. Sectors with complex value chains, particularly electronics and automotive products would be most impacted. Services would be most directly impacted through transport and travel restrictions. It is, however, expected that 2021 would see recovery but it is dependent on duration of the outbreak and effectiveness of policy responses not just in India but across the world.

1.1.7 According to World Bank, demand disruptions are expected to result in sharp growth deceleration to 2.8% in a baseline scenario in FY 21. Overall GDP growth in FY 2020-21 could be as low as 1-2% according to other predictions as well. (EIU and Fitch Moody's). If the lockdown is to be extended for prolong period, the economic result can be much worse.

However, according to the world bank report, economy is expected to rebound to 5.0% in FY 22. Thus, India needs to be prepared for rebound and that means that India should focus on temporary job creations especially in local areas.



The economic impact of COVID-19 in India will vary by sector.

Potential Impact on Key Sectors

	Output compression Q1 FY 2021 vs Q4 FY 2020,[1] %	GDP share, %	Bank credit FY 2019, %[4]	Employment FY 2018, millions
Airlines and hotels	−70 to −75	2	1[5]	8[7]
Auto and advanced industries	−50 to −60	2	1	
Construction and real estate	−50	8	11	54
Textiles	−50	2	3	
Freight and logistics	−40 to −45	8	2[6]	22[6]
Metals and mining	−35 to −40	7	7	
Oil and gas	−20 to −25		2	
Power	−20 to −25	2	9	3[8]
Consumer and retail	−20 to −25	11	11	47
Chemicals	−15 to −20	2	1	
Agriculture	−15[2]	15	18	205
IT services	−10 to −15	5	0	4
Pharmaceuticals	−10 to −15	1	1	
Telecommunications	0 to −5	2	2	1[9]
Total		67[3]	69	402[10]

Manufacturing 56

Source: McKinsey and Company

Supply side shock to the economy

1.2.1 The Agricultural growth in QII FY2019-20 was 2.1% [National Statistical Office]. However, considering the good rainfall for Rabi season, bumper harvest is expected. The smoothening of harvest period, which normally begins in April has to been ensured. The availability of farm labour and movement of farm power will be critical. Considering little or negligible impact of corona virus in rural areas and government taking steps to facilitate harvesting and procurement, agriculture might be a contributing factor.

1.2.2 Similarly, manufacturing growth in QII FY2019-20 was -1.0% [National Statistical Office]. It was already ailing due to lower demand, low exports demand and weaker investments. COVID 19 has disrupted supply chains eating up buffer stocks and lockdown resulting in stopping or little manufacturing activity.

1.2.3 Though, manufacturing is being carried on for specific essential goods like medicines, PPEs etc. FMCG like soap, sanitizer etc. textile like masks etc. heavy industries (mainly furnace based) like iron and steel etc. but largely manufacturing seems to remain in red with automobiles, textiles and apparels and construction taking the major hit.

1.2.4 As the manufacturing sector takes a hit, so the backward chain of mining and electricity. As per Power ministry, electricity consumption has reduced by 20%during the lockdown period mainly to due to low business activity. But the comparative impact would be less as compared to manufacturing sector. Similarly, MSMEs contribute almost 30% to the GDP [Ministry of MSME]. So, its performance is crucial for the growth of the economy. Already strained due to poor credit flow and lower demand and now cash flow issues and diminished revenues due to lockdown will seriously impact the sector.

1.2.5 Services sector contributes 58% to total GDP of the country and is major driver of economic growth [Economic Survey 2020]. It grew at 6.8% in QII FY 2019-20 taking overall GDP growth to 5.1% [National Statistical Office]. However, the most impacted sector due to corona virus is this largest contributor. Barring few online services like e-commerce, online education or online entertainment and gaming, almost all service industries including airlines, hospitality, logistics and telecom is badly affected. The slow growth in service sector will be the major reason for growth of Indian economy at around 2% in 2020.

Demand Side shock to the economy

1.3.1 Demand in the economy is driven by Private final consumption, Capital formation, Government expenditure and exports demand from across the world. Private final consumption expenditure contributes 60% to the GDP [Economic Survey 2020]. So, the reduction in consumption particularly rural demand is the reason for slowing economy. The low economic activity due to corona virus will result into increase in unemployment (As per CMIE, unemployment rate rose 23% for week ended April 5), lower earnings and reduced propensity to consume due to unpredictability about the corona virus. This will dampen the demand in the economy impacting the overall growth.

1.3.2 The second major contributor to the GDP is the private investment, contributing around 28% to the GDP [Economic Survey 2020]. The lower demand and slow credit flow (6.5-7% in FY20 which is 58 years low since 1962 – ICRA report) has resulted not only into lower investment but also reduced the capacity utilization to 69% [RBI December 2019 monetary policy statement].

1.3.3 Government expenditure, however, is expected to contribute to GDP growth. The stimulus package of Rs. 1.7 lakhs crores in the form of *Pradhan Mantri Garib Kalyan Yojana* (PMGKY) to provide relief to people would be a life safer. However, it will strain the fiscal position of the government, further impacted by slowing economy and low economic activity.

1.3.4 Domestic economy would also be impacted due to dampening exports demand. Exports had grown at 2.9% in February 2020 [Commerce & Industry ministry]. COVID 19 has impacted economic activity across the globe and would reduce merchandise trade between India and its trade partners. Although, essential goods based on requirement and availability is being traded, but uncertainty remains both about COVID disruption longevity and global exchange.

Conclusion:

1.4.1 The Corona virus (Covid-19) outbreak has already caused immense human suffering and major economic disruption. Output contractions in China are being felt across the world, including India. Global supply chains have been disrupted; travel and commodity markets deeply affected; and Governments across the globe are caught up in focusing all its resources and efforts at containing the spread of the virus. During this time of crisis, Governments need to ensure effective and well-resourced public health measures to prevent infection and contagion, to protect the incomes of the vulnerable groups and businesses during the virus outbreak. The fiscal stimulus should be targeted for the stressed sectors to counter the economic slowdown and for economic revival. The recommendations pertaining to Economic stimulus package are not discussed here for want of keeping the major focus on Tax administration.

1.4.2 **Thus, it is clear that:**

- **a)** **the Government needs to spend considerably more to revive the economy; and**
- **b)** **it needs to raise additional revenue, but in ways that must not burden the already distressed common man. (For detailed analysis of sectoral stress, please refer Appendix A)**

Chapter 2: Tax Administration

Part 1: REVENUE IMPACT ANALYSIS

In the backdrop of increased downside risks for the economy, the revenue collection efforts are affected in multiple ways. It is the statutory duty to collect taxes but also to support taxpayers in this crisis situation. The revenue impact is analyzed in both qualitative and quantitative terms. On qualitative aspect, the risk of tax base erosion and on quantitative aspects, the impact on revenue collection is analyzed here.

2.1 Qualitative impact: Risk of Tax Base Erosion

2.1.1 During the economic downturn, tax administration is encountering growing compliance risks and greater demands for taxpayer support services.The economic crisis situation is the fertile ground for the non-compliance by taxpayers as per the empirical studies. This will erode the tax base in medium term and it will pose greater challenge in the future. It should be prevented by appropriate measures as it is not an option, though it has countercyclical effects on the economy. The non-compliant behavior is inequitable and it should be countered with right measures at right time. So, there should be twin objectives of preventing the non-compliance and giving relief for the taxpayers.

2.1.2 There may be different forms of non-compliance due to genuine hardships due to COVID-19:

1) Increase in Non-filing of returns
2) Increase in non-deduction of TDS/withholding the deducted tax.
3) Underreporting the tax liabilities through bogus claim of losses

2.1.3 The above behavior leads to the decline in revenue collection and lead to erosion of tax base. The taxpayers' non-compliance is mainly to take advantage of the crisis situation, there are high risk factors for non-compliance as below:

1) When there is a tight credit flow, businesses tend to evade taxes and use it for the business operations like withholding the deducted TDS from employees or others,
2) When there is high risk for bankruptcy, there is a tendency to evade tax compliance,
3) If formal sectors are changing to the informal sectors, there is high risk for non-compliance,
4) When there is high unemployment in the economy during the crisis,
5) When there are more loss making companies,
6) When there is perception of less stringent tax agency during the crisis,
7) When there is acceptance in the society that tax evasion is normal in crisis as a social norm,
8) The stressed sectors during crisis in the economy may have the risk of non-compliance.

Policy dilemma of tolerating non-compliance because of its countercyclical effects and relief measures aimed with compliance

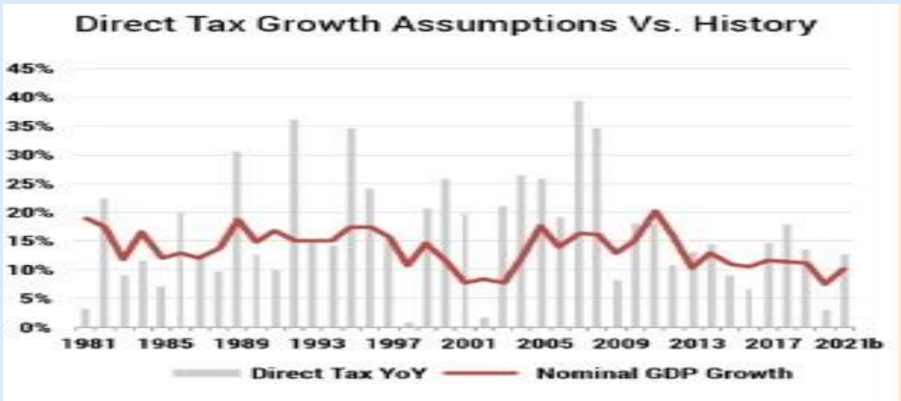
2.1.4 The tax non-compliance by the taxpayers is not an appropriate response for the crisis situation. It is not a relief to the taxpayers, because it is unfair, inequitable and discretionary. There may be countercyclical effects in the economy but the erosion of tax base will not be temporary and it may take very long time to recover the base. Moreover, the non-compliance behavior is entrenched in the taxpayer population and they carry forward it for longer time before turning to compliant. It is also difficult to regain the tax base in a rebounding economy. If it is unchecked, there is substantial revenue foregone and unfair competitive advantage for the non-compliant companies. There should be provision for transparent, adequate fiscal stimulus in a rule bound manner. So, there should not be systemic encouragement of tax non-compliance. The relief measure should be restricted to the honest compliant taxpayers, especially to those filing the return. (Some of the measures to increase compliance is discussed in the section of taxpayer welfare crisis later).

Quantitative impact –Downside risks for Revenue Target:

2.1.5 The estimate for gross tax revenue for 2019-2020 was revised lower to amount. 21.6 lakh from Rs. 24.6 lakh crore announced in the previous budget. Even for the upcoming financial year 2020-21, there is a target of 12% increase in the gross tax revenue at Rs. 24.2 lakh crore. However, the slowdown in economy coupled with COVID-19 will dent the revenue collections especially in direct taxes.

2.1.6 The 'escape clause' provided in the Fiscal Responsibility and Budget Management Act, 2003 was invoked already provided for FY 2020-21, allowing the Government to deviate from an earlier planned fiscal path and target a higher fiscal deficit. Also, as per the Medium Term Fiscal Policy Statement, the growth rate in direct taxes is expected to be 13.60% for FY 2021-22 and 13.80% for FY 2022-23.

2.1.7 Revenue collection is closely related to the GDP and its growth rate. The increasing spread of the corona virus in India has forced the Government to introduce unprecedented measures to contain the epidemic. These are priority measures that are imposed by a sanitary situation, which leave little room for other options as health should remain the primary concern. These measures have led to many businesses being shut down temporarily, widespread restrictions on travel and mobility, financial market turmoil, an erosion of confidence and heighted uncertainty.



Source: Budget documents, Credit Suisse Research

2.1.8 An OECD study on the impact of Covid-19 suggests that the initial direct impact of the shutdowns could be a decline in the level of output of between one-fifth to one-quarter in many economies, with consumer expenditure potentially dropping by around one-third. Changes of this magnitude would far outweigh anything experienced during the global financial crisis in 2008-09.

2.1.9 We should also look at the potential direct impact of shutdowns on GDP. One approach to identifying the potential immediate impact of widespread shutdowns is to look at detailed categories of output and identify the sectors most directly affected by containment measures. Within service sectors, activities involving travel, including tourism, and direct contact between consumers and service providers, such as hairdressers or house purchases, are clearly adversely affected by restrictions on movement and social distancing.

2.1.10 Taken together, the affected sectors account for between 30-40 percent of total output in most economies. Allowing for only partial shutdowns in some sectors, and assuming a similar extent of shutdowns in all countries, the overall direct initial hit to the level of GDP is typically between 20-25% in many major economies. The impact on annual GDP growth would depend on how long these measures remain in place.

2.1.11 In a book, The Economic Impact of COVID-19, Warwick McKibbin and Roshen Fernando, there are various scenarios projected based on nature of shock and severity of the disease. Themodel, as show in the table below, estimates the impact under various scenarios based on severity and permanence of the covid 19 outbreak. The highest probable mortalities in India range from 36 lakhs to 1.6 crores. TheGDP under various scenarios is estimated to fall by 0.2 % to 5.3%. Both the demand and supply shocks to the economy have been factored in. Additionally, the impact on market sentiments and financing costs for Indian firms has also been incorporated.

Impact of COVID -19 on India				
Scenario	**Severity**	**Nature of Shock**	**Mortality (lakhs)**	**GDP Loss (%)**
1	Low	Temporary	37	-1.4
2	Mid	Temporary	92	-3.1
3	High	Temporary	166	-5.3
4	Low	Permanent	37	-1.3

Source: Centre for Economic Policy Research, London

2.1.12 The World Bank in its South Asia Economic Focus Report released this month, India is expected to grow at 1.5% to 2.8% in the FY 2020-21, the lowest growth rate since 1991. Similarly, IMF has predicted India's GDP growth rate for FY 2020-21 to be at 1.9%.There is a need to analyze the impact of the slowdown in the economy on account of Covid-19 on revenue collection and set tax collection targets realistically.

2.1.13 All these developments will surely have a deep and adverse impact of revenue collection. In a time of crisis, it becomes apparent for the Department to provide some relief measures and incentives to individuals and businesses. In such a scenario, direct tax revenues may be adversely affected in the near term.

Part 2: Revenue Mobilization

2.2.1 With the economic impact of COVID-19 and the consequent impact on revenue collections brought out in the preceding parts of the report, it is essential to discuss certain measures to raise additional revenues for the Government to deal with the crisis in the short and medium term. Some of such measures are discussed below:

Short term measures (3-6 months)

2.2.2 **Taxing the wealthy:**
In times like these, the so called "super rich" have a higher obligation towards ensuring the larger public good. This is for multiple reasons – they enjoy a higher capacity to pay with significantly higher levels of disposable incomes compared with the rest, they have a higher stake in ensuring the economy springs back into action, and their current levels of wealth itself is a product of the social contract between the state and its citizens. Most high-income earners still have the luxury of working from home, and the wealthy can fall back upon their wealth to cope with the temporary shock. In view of several European economists, taxing the wealthy would be the most "progressive fiscal tool", as wealth is far more concentrated than income and consumption.
A surcharge had recently been raised, and the fact that the additional surcharge was only expected to generate a mere Rs. 2700 crores in additional revenue, this may not be a feasible step in terms of potential revenue impact.

Therefore, this segment of the population can be taxed through two alternative means, both of which can be imposed for a limited, fixed period of time:

* ***raising highest slab rate to 40% for total income levels above a min. threshold of Rs. 1 cr***

Or

* ***re-introduction of the wealth tax for those with net wealth of Rs. 5 crores or more***

Administratively, the former will be simpler to implement. However, the revenue gain associated with both options should be worked out to see whether the gains attached with the latter option score better in terms of a cost-benefit analysis.

International taxation: One suggestion can be to ***increase the surcharge applicable to the Higher income Foreign Companies having a Branch Office/ Permanent Establishment in India.*** The said surcharge has not been revised for some time now, and with companies operating in India and deriving profits through their PEs, it is time that a flourishing market like India with its huge prospects flexes its customer-base muscle.

Such measures are time-tested, especially in the context of European countries. However, in order to make the measure more palatable, and for increasing its legitimacy in terms of the "fiscal-tax connect" (i.e. effective utilization of the additional resources raised), the following is proposed:

Say, for example, that the additional revenue mop-up through either of the above steps is Rs. 50,000 crores. This amount should be placed in a separate kitty, almost like an escrow account. The Government can then identify 5-10 most crucial projects/schemes entailing significant expenditure, which are likely to have a decisive impact on reviving the economy. The costs attached with such projects will be worked out, and these projects should be listed on a Government website, accessible to the entire public. The Government should commit itself to the fact that the additional revenue raised through taxing the wealthy will only and only be utilized for these 5-10 projects/schemes. Additionally, the website should display a live spending meter against each of these projects/schemes, which will mention the expenditure incurred till date.

Such visibility over the direct and immediate utilization of resources is likely to ensure greater resonance and acceptance amongst those being taxed, and provide greater satisfaction and a direct sense of contribution to this populace. On a very small scale, this has been demonstrated before.

People contributed generously to the families of CRPF's Pulwama terror attack victims, especially because they could see for themselves exactly to whom the amount contributed by them was going to, in a similar live dashboard fashion.

2.2.3 **COVID Relief Cess:** As opposed to surcharges, cess are more broad-based since they are levied on every taxpayer. Further, they are likely to mobilize more revenue as well. The current rate of cess is 4% (including 2% Health Cess and 2% Education Cess). Thus, an ***additional one-time cess*** of 4% on account of COVID Relief (could be called COVID Relief Cess) could help finance capital investment in COVID Relief work. The extra revenue mobilized on this account could be between Rs. 15000 – 18000 crores. To mitigate the extra hardship on the middle class, the cess may be made applicable only in cases where the taxable income is greater than Rs. 10 lakhs.

2.2.4 **Mobilization of CSR Funds for COVID relief:** The tax incentives for CSR should be extended at the time of National disaster. Those companies who are undertaking the COVID relief activities under CSR should be allowed to claim as expenditure incurred for the purpose of business deduction **section 37** for FY 2020-21 only. This incentive helps in mobilizing CSR funds for the disaster management. The COVID relief activities should be specifically defined under **section 2.** The amendments in section 2 and section 37 can be considered.

2.2.5 The corporates may be allowed to treat the salaries paid to their non-managerial staff during the COVID crisis as part of their obligation under CSR.

2.2.6 While contribution by companies to PM CARES Fund have been included for the purposes of CSR use by companies, there is a need to include the CM Relief Funds for this purpose as well, as requested for by many State Governments. Also, there is a need to incentivize such contributions to tempt companies to invest their CSR funds to PM CARES Fund and CM Relief Funds. Two such proposals are discussed below:

a) Use of Unspent CSR Funds

As per the current law, specified class of companies are required to spend 2 per cent of their average net profits as CSR, failing which the Board has to incorporate the reasons for such failure in its report. A scheme can be proposed to provide a one-time opportunity to the companies to contribute a portion of their unspent CSR funds till FY 2019-20 to PM CARES Fund and utilize a portion of such unspent money for their business purpose. The companies should be allowed to transfer a part of these unspent funds to the PM CARES Fund within a prescribed time, say by 30 June 2020, and allow them to release a part of these funds for their business purposes. For example, if a company contributes 75 per cent of its unspent CSR Funds to PM CARES Fund on or before 30 June 2020, the company should be allowed to utilize the remaining 25 per cent of the money for their business purpose immediately after making such contribution. The above scheme is being proposed with a view to give economic incentive to the prescribed companies along with an appeal to contribute generously to the PM CARES Fund.

b) Special treatment of contribution to PM CARES and CM Relief Funds for CSR purposes

Contributions to PM CARES Fund and CM Relief Funds should be allowed to be counted as CSR not only for the current FY but also for FY 2021-22. For example: A Company is required to contribute 2% of its net profit for CSR every year. If we give the option to the companies to count its contribution to PM CARES or CM Relief Funds for two FYs, it will encourage the companies who are not facing liquidity issues to contribute more funds during this time to assist the government. Such companies may be persuaded to spend upto 4% of the estimated net profit and count this as CSR over two years. This will ensure greater contribution to PM CARES Fund and CM Relief Funds.

2.2.7 **Incentivizing contributions to PM CARES Fund through tax incentives**

While contributions to PM CARES Fund have been included for tax deduction under section 80G, these contributions can be further incentivized to make it attractive for taxpayers to contribute to the fund now for future benefits. Some of the proposals are discussed below:

a) Deduction to PM CARES Fund and CM Relief Funds to be allowed as **deduction u/s 80G over next few years (say, within a span of 3 years)** instead of just in FY 2020-21, at the option of the assessee. This will benefit both the Government and the taxpayers who might not wish to claim the deduction this year due to lesser incomes during the current FY. A lot of taxpayers may face losses this year or reduced incomes and may wish to avail the option to avail the deduction within the next two years, when they have higher incomes. This will benefit the government as well as the revenue foregone due to tax deduction will be deferred to the future as well.

b) Extension of benefit of deduction under Section 80G to Companies paying taxes under the new regime of lower tax rates: A number of companies may be opting for the new tax regime of lower tax rates. They would not be inclined to contribute funds to the PM CARES Fund as they are currently not eligible to avail tax deductions on contributions made against the income in FY 2020-21. Therefore, the deduction under Section 80G should be extended to such companies for just one financial year i.e. FY 2020-21 to encourage them to contribute more to the fund.

2.2.8 **New Tax Saving Scheme like COVID savings Certificates (like NSC) to mobilize more funds**

A new scheme to mobilize fund collection for Corona relief can be created wherein Individuals and HUF can be given additional deduction for Investment made in the fund upto Rs.2,50,000 just like investment under **section 80C.** The amount invested will have a lock-in period of 5 year and will generate interest income for the investor based on what government pays for various small scale saving instruments. **Section 13A and 13B** may be amended to allow Political Parties and Electoral Trust to invest in the aforementioned fund. This will help the government mobilize funds while allowing these entities to save while earning interest income. The Fund mentioned above (which is intended to mobilize investment from individual and HUFs while also providing tax relief) should also be open to charitable organisation and be a recognized mode of investment under **section 11(5).**

2.2.9 **New Amnesty scheme for collection of Undisputed demand**

The Coverage of *Vivaad se Vishwaas* Scheme 2020 is only for demand under dispute. However, a large part of outstanding demand pertains to those which are crystallized and for which no dispute exists.

In order to incentivize collection of such demand the Government may launch an amnesty scheme waiving off the interest under section 220(2) in part or full. A similar approach can also be adopted for undisputed penalty amount pending for collection.

Medium term measures (9-12 months)

2.2.10 Apart from the above, there is a need to raise government revenues in the medium to long term through various means to meet the greater spending requirements to revive the economy. Some such measures are discussed below:

2.2.11 **Incentivizing compliance as against penalizing non-compliance:**

Most of the tax enforcement mechanism is based on the theory of penal deterrence. Considering the genuine hardships faced by the tax payers during this global crisis, compliance can in itself be projected as a positive action for relief. It is proposed that there should be tax discounts and rebates in percentage points for timely compliances. For example, if an assessee files her/his return

2.2.12 **Introduction of Base Erosion anti-abuse tax**

A tax on MNEs on the lines of Base erosion anti-abuse tax (BEAT) of US can be introduced. It will impose an additional tax liability on certain corporations that make base-eroding payments (e.g., interest, royalty, etc.) to foreign related parties. Simply put, BEAT would be an alternate minimum tax that would be imposed if 12.5 percent (this figure can vary) of the modified taxable income exceeds the taxpayer's regular tax liability. The modified taxable income would be the taxable income adding back any base-eroding payments. BEAT would be applicable to corporations with high average annual gross receipts (US imposes it on MNEs with average annual gross receipts of at least $500 million). In the Indian context, since payment for intra-group services, royalty etc. are perceived as high risk transactions, therefore BEAT can serve effectively in curbing tax evasion by MNEs.

2.2.13 **Reintroduction of the 'Inheritance Tax':**

Inheritance tax is levied mostly in developed countries, at rates as high as 55%. In India, it was in force till 1985, payable on a slab basis. Inheritance tax, if reintroduced, is expected to reduce concentration of wealth, widen the tax base and enhance revenue, and play its part in bridging the wealth inequality divide. More importantly, such a tax may eventually lead to reduction in tax rates. Earlier, procedural issues and information asymmetry lead to the tax being abolished. However, in today's digital age, information is easily accessible, and with the improvements in administrative framework over the last few decades, such a tax is enforceable and implementable now.

2.2.14 **Capital gains & OCI:**

In the issue of capital gains and in the case of OCI, the capital gains accruing out of the inherited properties of the oversees citizens to be raised by 10% margin from the current rate. The reason being that on various stages in the life of the OCI, the inherited properties and the persons holding them would have benefitted from the facilities and subsidies offered by the Government of India.

2.2.15 **Rationalization of Equalization Levy:** "Equalization Levy", also known as "Google Tax", was introduced by the Finance Act, 2016 on certain non-resident businesses on certain "specified services", largely those providing advertisement space and services. The revenues are taxed at 6% on gross basis. Finance Bill, 2020 proposes to expand the scope of the "equalization levy" to include consideration received by e-commerce operators from e-commerce supply or services, and taxed at a rate of 2%. The Corona economy is largely a digital/online/e-commerce economy. The consumption of online services, especially web streaming services such as Netflix, Amazon Prime, Zoom, etc. and the increased dependence on online commerce has made this sector flourish. The increased business of these e commerce/ online streaming/ web services companies provides an opportunity to increase the said tax rates by 1%, i.e. from 6% to 7% for ad services, and from 2% to 3% for e commerce.

2.2.16 The equalization levy collection for FY 2017-18 was Rs. 550 crores and FY 2018-19 was Rs. 939 crores. Going by the growth of business of the sector, the said increase in rate is likely to contribute a good amount of increased revenue. Moreover, since the levy Is not part of the Income Tax Act, it would not be subject to the provision of India's income tax treaties.

2.2.17 **Give it up campaign**

Just like it was done in the case of LPG subsidy where many well off people voluntarily surrendered their LPG subsidy benefits, the tax department can encourage the super rich and those willing, to give up at least one tax subsidy/tax deduction/ tax concession for only a year- for e.g. an individual could voluntarily opt for giving up his/her 80C deduction for a year.

Part 3: Expenditure rationalization

2.3.1 In view of the unprecedented situation on offer, reprioritizing our expenditure areas is an absolute must for the coming year. Defense expenditure can be scaled down by postponing acquisitions where the process has not yet kick-started. Similarly, expenditure envisioned for ambitious projects such as the bullet train on routes where any work is yet to take off can be held back for the future. The freed up resources can be used for the more immediate pressing task of economic revival and ensuring a guaranteed income stream for those who have lost livelihoods.

2.3.2 There is need to reorient the expenditure budget as presented in February, 2020, to specifically meet funding requirements in Q1 to fight COVID. Total capex budget for budget 20-21 is Rs. 4,12,085 crore. Out of this Rs. 151,974 crores is pertaining to infrastructure works in Ministry of railways and ministry of road transport & highways. Out of the balance Rs. 250,000 crores, Rs 1 lakh crores could be used for COVID related works. Out of the Revenue expenditure of Rs. 26,30,145 crores budgeted in 2020-21, 10% savings equivalent to Rs. 263,014 crores be done across the board. This could be used for COVID related works.

2.3.3 Ministry of health & family welfare can use a significant portion of Rs. 67,111 crores budgeted for the whole year in the first quarter of Q1'2020. The Covid stimulus package announced by the Government of India thus far amounts to 0.8% of GDP. *Prima facie,* this pales in comparison with 11% in the case of US, 15% in the case of UK, and 16% in the case of Malaysia. However, India's Covid stimulus package was not the end, it was just the beginning. If additional revenues can be mobilized through some of the steps proposed above, the Government will have the legroom to significantly expand the scope and size of the stimulus/relief package without making a huge dent on its fiscal deficit position. While ambitious fiscal deficit targets should definitely be set aside in the wake of the magnitude of the crisis on hand, breaching them without any checks is also likely to have a negative impact on credibility and resource generation potential in the medium run. However, with additional revenues in its kitty, some of the effective areas the Government can focus its spending on are as follows:

Short term:

2.3.4 **Minimum income/direct cash transfer scheme:** While economic activity will slowly start limping back to normalcy once the health crisis subsides, in the interim period, the Government needs to ensure that the poor and non-salaried lower middle class, the working class, migrant labour, etc., who are prevented from working for longer periods, can see this period through. The destruction of livelihoods, and the associated consumption levels, can be mitigated through a direct cash transfer to beneficiaries including agricultural labourers, farmers, daily wage earners, informal sector workers and others. Economic studies have estimated this population to be around 12 crore households, comprising of 60 crore individuals. The households can be identified using the already vast quantum of quality data available with the Government through earlier implementation of successful schemes such as PM KISAN and Ujjwala.

2.3.5 Based on how much additional revenue can be raised through some of the measures suggested earlier in this paper, a direct cash transfer of Rs. 3,000 – Rs. 5,000 a month can be worked out to the bottom 12 crore households, for a period of at least 6 months. A sustained income stream for at least 6 months is a must v/s a one-time contribution, as providing a safety net and a sense of assured income for at least some time for those who have lost their livelihoods is of critical importance for boosting consumption. The Pradhan Mantri Kisan Samman Nidhi (PM KISAN) programme, with a budget of ₹75,000 crore, can be subsumed into this programme.

2.3.6 **Expansion and re-design of MNREGA:** The MNREGA scheme is time tested tool of providing guaranteed work to those who seek employment. Given the large scale economic destruction and loss of livelihoods caused by the Covid crisis, employment seekers would be aplenty. Therefore, the Government must enlarge the budget allocated to MNREGA and ensure guaranteed work for the marginalized. This can also be an opportunity for fulfilling one of the scheme's original ambitions: creation of durable assets. The scheme can be channelized and focused on public works programmes such as building of rural roads, public health infrastructure, primary school buildings and the like. If envisioned and implemented in a targeted fashion, the scheme continues to hold tremendous promise, and can achieve three prized objectives together: provision of income support through employment for the jobless, creation of public infrastructure, and investment in human capital.

2.3.7 **Supporting MSMEs:** The government needs to support micro, small and medium enterprises in retaining employees during this crisis. However, selectively lowering tax rates for this segment might create a disincentive for accurate reporting of income or turnover. Therefore, the government should instead be looking at supporting this segment on the basis of already identified MSMEs through some form of wage support. In this regard, the UK's "***Corona virus Job Retention Scheme***" could be used as a model (within the fiscal constraints that the government imposes on itself).http://www.charitytaxgroup.org.uk/news-post/2020/coronavirus-job-retention-scheme-guidance-published/

2.3.8 The US has also recently passed the Families First Corona virus Response Act, where support will be provided to small employers providing limited paid leave benefits to employees.

Medium term:

2.3.9 **Healthcare sector as the engine of economic growth:** Some economists have rightly argued that the efficacy of any monetary and fiscal policy adopted by the Government cannot get transmitted to the real sectors during an economic shutdown such as the current lockdown, unless these policies specifically address the the one sector that is still active – rather thriving – which is healthcare. The much discussed painful trade-off between public health and the health of the economy can be resolved if the health sector can serve as the driving force for economic growth for the next year or so. While this will ensure lives being saved, such an approach will have the added parallel advantage of easing the economic pain of fighting the virus. The exponential growth of the healthcare sector will create jobs, and also holds the potential of absorbing the most distressed and marginalized sections including low skilled daily wagers. Finally, the massive gaps in this sector which ails India's public health system will finally start getting plugged, presenting massive economic value addition in the long run due to investment in human capital.

2.3.10 From a taxation perspective, **a complete tax holiday / tax break is proposed for the next 3 years for all corporates, firms and businesses operating in the healthcare sector.** The scope can have an exclusive definition, and must incorporate manufacturing of pharmaceuticals, medical grade masks, gloves, gowns, ventilators, testing labs, construction contractors involved in building of hospitals/primary health centers, etc.

2.3.11 **Capitalizing on a 'staggered' recovery:** It is beyond anyone's doubt that the COVID crisis is likely to leave us with a 'new normal'. This will have a likely impact on the revival story. Firms that can survive with social distancing, such as digital platforms, online learning, etc. are likely to spring back to recovery, and shall thrive soon. However, for industries which will struggle in reforming its workplace in terms of adapting to the new social distancing norms, the recovery will be harder and will take longer. The Government's spending push, its subsidy programmes, and the tax policies aimed at incentivizing business activity should all be determined by the sequencing of this staggered recovery. For example, tax incentives in the short run can aim at businesses that find it easier to operate with social distancing, so that their immediate economic and revenue potential can be fully maximized. However, long term tax incentives should target those workplaces which will find it harder to operate in the 'new normal'

Part 4: Taxpayer Welfare measures during COVID Crisis

2.4.1 Taxpayer welfare after corona virus epidemic assumes significant importance as governments look to make up for shortfall in revenue and in desperation may turn to excessive taxation which may have the effect of shutting down firms, bankruptcies which may well kill the bird which lays golden eggs. So to ensure that long term revenue does not suffer due to short term considerations, taxpayer welfare is important.

2.4.2 The government has already announced certain relief measures such as:

i. extension in filing of return dates
ii. increase in time period for making investments in tax saving instruments
iii. extensions in time limit for filing forms such as form 15G/15H etc.

2.4.3 However, a crisis like this calls for bigger tax measures which can form part of larger economic stimulus which the government provides to bring economy back on track. The following measures are proposed for the **short term basis,** i.e. for 3-6 months, to enable the taxpayer to withstand the uncertainty in the economy:

I. Measures to boost consumption and improve disposable income:

i. Short term capital loss made by retail investors due to recent stock market slump should be allowed to be set off from salary income.
ii. Amount spent on treatment of hospitalization due to Corona should be allowed as deduction under section 80DDB. This requires notifying Corona under Section 80DDB.
iii. The bonus or any other allowances given to the employees with annual income 10 lakhs should not be considered as taxable income at the hands of employees.
iv. The taxpayers can file return within due date and there will be option of paying the self assessment tax after 6 months of filing the return.
v. Individual taxpayers who lost the job were allowed to defer the tax payment for 6 months or till the new job is found, whichever earlier.
vi. Withdrawal from NPS and other small saving instruments should be made 100 percent tax free. This should also apply to interest chargeable on KVP.
vii. **Increased deduction for payment of interest over purchase of house, automobile etc.** Increased deduction under section 80C can be provided for payment of interest over the loan taken for fresh purchase of property and automobiles, electronic items which have been made in India completely.

II. **Support for MSMEs:**

i. RESTORE THE CASH TRANSACTIONS LIMIT UNDER SECTION 40A (3) AND 40A(3A) TO 20000: the COVID crisis has hit the economy really hard and worst hit is the informal sector. what people would be looking for in this sector is hard cash. But a low limit of 10000 may inhibit firms from dealing with workers. a higher limit would certainly go a long way.
ii. Provision for carry back of net operating losses arising in the current and previous financial year upto five years may be introduced. This provision will especially beneficial for start-ups. It will improve cash flow by way of immediate refund of taxes paid earlier.
iii. Due to the current crisis, there is likely to be a significant delay in tax audits under section 44AB. Thus assesses having income unto 10 crores may be exempted from tax audit requirement for the current fiscal year only.
iv. Presumptive taxation under 44AD should be allowed at 6 percent for all transactions and not just digital transactions.
v. TDS deducted u/s192 for the employees can be deposited by the end of the FY, rather than monthly deposit. This will give relief for the deductors and ease the cash flow pressure for the business and able to maintain the payroll without any job cuts

vi. MSME whose total tax liability is less than 5/10 lacs be given a tax moratorium (deferment only) for 1 year. It will result in a positive cash flow of 33% for those

III. **General tax relief measures for corporates:**

2.4.4 **Advance tax relief:**

Corporate profits are likely to significantly suffer, at least in the first 2 quarters of this fiscal year. Further, owing to the prevailing economic uncertainty, corporates are likely to find it extremely difficult to estimate their tax liability in the first two quarters of 2017.Further, corporates should have the option of backloading their tax costs and enjoy a higher than normal pre-tax profit in the first two quarters.

(a) Advance tax payment schedule may be rationalized to mandate a payment of only 25% of total taxes till September 2020 (u/s 234C of the Act) without payment of interest.
or
Considering the reliefs and incentives announced and proposed by the government, the viability of collection of advance tax at 25%, 55%, 80% and 100% by the respective dates can be considered. OR the tax collection may be advanced in three instalments of 50% by September 15th, 85% by December 15th and 100% by March 15th to that the government can balance the reliefs with the tax collections.

(b) The rates of interest on delayed payment of advance taxes could be lowered (to say 0.5 % per month from the existing 1%)

(c) Further, all the taxpayers had paid advance tax in 2019-2020 based on expected incomes which did not materialize in March. They have paid extra advance tax on that account. They may be allowed to carry forward some excess of the advance tax paid to this year.

2.4.5 **Corporate tax relief for stressed sectors:**

As a one-time measure, the option of providing reduced corporate tax rate to companies can be explored. This can be proposed only for those corporates which have suffered a reduced turnover beyond a threshold (say 25%-30%) during the FY 2020-21. Certain conditions may be attached to avail the same e.g.. No reduction in no. of employees, there is no re-constitution of business by way of merger / de-merger, slump sale, amalgamation etc., no other incentives are availed etc. Such an incentive will also aid the travel and tourism industry, including the aviation sector, which has been hard-hit by the pandemic.

2.4.6 **Carry forward losses/MAT/AMT credit expiring on March 31, 2021 may be carried forward till March 31, 2022.** Brought forward losses of taxpayers that will be expiring on March 31, 2021 under the provisions of Section 72 of the Income Tax Act, 1961 along with MAT and AMT credit under Section 115JAA and 115JD of the Act may be extended till March 31, 2022.

2.4.7 **The "Speedy Refund programme:** The Refund should be issued to all taxpayers without any distinction in a phased manner depends the fiscal cost involved. This will serve as an indirect stimulus package for the Economy and also serve as offloading the treasury liability in this regard. The interest cost involved in delayed refunds are also saved effectively.

2.4.8 As per the provisions of Section 241A of the Act, any refund due to the assessee on processing of return under Section 143(1) can be withheld where the tax officer (with the approval of the Pr CIT / CIT) is of the opinion that having regard to the notice issued section 143(2) in respect of such return, the grant of the refund is likely to adversely affect the revenue. Further to the relief provided to the tax payers on grant of refund upto INR 5L to small tax payers, in order to ensure that the corporates have sufficient liquidity to kick start their operations post the lock-down, the provisions of Section 241A of the Act should not be invoked for the returns due to be processed for

AY 2018-19 by June 20. Accordingly, the refunds should be granted for AY 2018-19 upon such processing of tax return to the corporates by June 30, 2018.

2.4.9 **Increased depreciation expenditure to promote capital expenditure**

Rate of depreciation of the following assets (specified in Appendix 1 of the Income Tax Rules, 1962) that have been/will be acquired in FY 2020-21 may be increased from the existing rates-

Buildings other than those used mainly for residential purposes (currently at 10%)
Depreciation rate on plant and machinery (currently at 15%)

Increase in depreciation rates will help in raising the non-cash expense and thereby reduce the tax outflow and also serve as a stimulus for capital expenditure by the taxpayers. Similarly,the limit of 50 percent depreciation where a new asset is utilised for less than half a year should be relaxed and full depreciation should be allowed

2.4.10 **Relief in late filing fee of ITR, TDS returns and late deposit of TDS:**

The relief can be extended to all taxpayers Q4 of FY2019-20, Q1 &Q2 of FY2020-21. The condition to be imposed only for the deductors who filed TDS returns within due time.

2.4.11 **Interest on late deposit of TDS as deductible expense during FY 2020-21**

To stimulate liquidity for corporates, the option of making interest on late deposit of TDS a tax-deductible expense for FY 2020-21 can be explored.

2.4.12 Salaries deduction under **section 37(1)**: It can be made weighted average of 200 %. This will incentivize employers to not layoff workers. It is also important to note that relief measures should not be in general but must cater to specific sections. For e.g. –Permanent employees who are getting salaries even during lockdown (like government employees) should not be provided relief measures so as to boost revenue also.

2.4.13 **Section 80JJAA** may be amended to provide tax relief for MSMEs at the rate of 30 percent on the wages cost, on retention of 90% of workforce at full compensation and benefits till filing of return for AY 2020-21.

2.4.14 Losses for the previous year 2020-21 can be made a separate category and given same treatment with respect to set off and carry forward as unabsorbed depreciation.

2.4.15 Bring some expenditure out of ambit of **section 43B**: firms in this crisis will face a problem of cash flows particularly interest. Hence interest payments can be allowed on due basis as an exception to this year.

2.4.16 Extend the benefits of depreciation for plants in backward areas of certain states to all the states.

2.4.17 Amendment in **section 40A (13):** to bring mark to market losses due to sudden change in market conditions under the ambit of deductible expenses.

2.4.18 The time limit for VIVAAD SE VISHWAS scheme should be extended from present 31st march 2020 to 31st December 2020 so at to benefit taxpayers who are stuck in litigation and unable to avail the scheme benefits due to lockdown.

2.4.19 Exemptions to the sectors under **section 10A,** which the government has announced will be phased out can be extended for another 5 years.

2.4.20 For businesses engaged in aviation companies (passengers), hotels, automobile, construction and real estate sector.TDS deduction for payment to businesses engaged in the aforementioned sectors may be waived off or be allowed at nominal rates to support the liquidity position of businesses.This can also be facilitated by an upward revision of the monetary threshold for TDS deduction.

2.4.21 For the **real estate sector,** the time limit construction of affordable housing project under to get tax relief under section 80-IBA should be extended from 5 years to 7 years considering the downturn in the economic activity due to the present crisis. Further, the requirements in terms of area of plot and the size and stamp duty value of residential units to allow the project to qualify for tax relief under the said section may be relaxed to benefit more projects than what was originally envisaged. Similarly,moratorium on the notional rent income from the inventory should be extended for another 3 years or till there is boom in the real estatesector, will bring more relief to the already stressed sector.

Support for business continuity plan implementation Many companies and firms shifted **to Work-From-Home practices** during the lockdown. To promote such practices in future too, as these come with benefits such as decongesting roads, potentially increase female labour participation and so on, expenses incurred by companies in enabling Work from Home (WFH) for its employees can be allowed as an eligible **business expense and weighted deduction of 150%** can be considered.This could include steps likedevelopment of Virtual Private Networks, data storages etc.

2.4.22 **ESOP taxation benefits**: It can be provided to startups under section 192 as part of the Finance Act 2020, can be extended to regular employers for the current fiscal year who as a part of cutting their expenses can deduct the salary of their employees and grant them shares, leading to equity infusion.

2.4.23 Clarifications regarding determination of Place of Effective Management (POEM) of Companies: The Government should issue a clarification stating that there would be no impact on the determination of POEM of Companies under the domestic law on account ofBoard meetings taking place through video conferences and extended stays of employees in India due to travel restrictions.

IV. **For the health sector:**

2.4.24 DEDUCTION UNDER SECTION 35AD: currently losses under section 35AD are not allowed to be set off from profits of any other business except specified business under section 35AD. This deduction under the current year for the hospital business can be allowed to be set off from other businesses. Similarly, Manufacturing of PPE, ventilators and face masks can be notified as a specified business under section 35AD to allow deduction for all the capital expenditure done in course of setting up a new business.

2.4.25 Deduction under 80GGA extended to 125 percent of amount paid to any research association which has as its object the undertaking of scientific research for the purpose of developing medicines or ventilators etc. to fight the Corona outbreak.

2.4.26 Additional Depreciation should be allowed on machinery bought for manufacturing PPEs and Ventilators, masks, glovesetc. to support the activities to meet the increased demand in the covid-19 management.

2.4.27 **"Zero tax for Healthcare workers"**: The healthcare frontline workers should be given complete relief for this FY from paying tax. It is the appreciation for the courage of the corona warriors who fought this pandemic by risking their lives.

V. Serving the service sector:

2.4.28 PROVISION FOR BAD DEBTS IN CASE OF BANKS (section 36(1) (viia): this can be raised from 8.5 % to 12% for Indian banks, 7.5% for public financial institutions, SFCs, NBFCs. considering the widespread losses to business and subsequent rise in NPAs, banks would need cushioning to protect their lending ability so that economy can revive. This increase in deduction will certainly provide that cushion. Further the supreme court verdict in catholic Syrian bank case can be restored and urban and rural advances can be counted separately for the purpose of this section.

2.4.29 Exemptions to IT sector under section 10A, which the government has announced will be phased out can be extended for another 5 years.

VII. For NGOs to be partner in covid relief:

2.4.30 In the view of the Covid-19 crisis NGOs are playing a frontline role in the relief and the response management. In view of this, there needs to be facilitation of these relief efforts through suitable changes in the tax policy to help the resource mobilization by these charitable institutions.

2.4.31 Firstly, many of the NGOs are carrying out activities towards Covid relief that are currently falling outside the purview of their deeds of constitution, in which case it can be considered a breach of duty unless their deed is rectified through a suitable amendment after seeking due approval from the Ld jurisdictional CIT. Given the special circumstances all relief work towards Covid relief can be deemed to be considered a part of definition of charity as stipulated in the Section 2(15) of the Income Tax Act so that activities can be suitably carried out by the various charitable institutions.

2.4.32 There is a need for a recognition of a Risk Management framework that underwrites the increased risks to which NGOs are exposed in the uncertain times. We need a tax policy that enables a much greater risk-sharing approach so that NGOs do not shoulder the burden of financial risk alone – but one that is also acceptable to donors. Many retail businesses plan for 1-3% theft and destruction losses. Similarly, these NGOs can be allowed an additional deemed application of 1% of their gross income to account for additional expenditures for which they may not have additional proof of expense for some time frame.

2.4.33 Sub section 5D to Section 80G provides that to provide cashless economy, no deduction shall be allowed under the section 80G in respect of donation of any sum exceeding Rs. 10,000/- unless such sum is paid by any mode other than cash. Today a major challenge being faced by the NGOs is that majority of the donations are being received in cash where the corresponding benefits of exemption are being prevented to the donors. In view of the current times, this can be relaxed to assist the mobilization of the resources suitably by the NGOs, subject to the verification later on through the donation receipts and donor details.

2.4.34 Similarly, the expenditures incurred by the various charitable institutions currently is also primarily in cash. Given the applicability of Section 40A(3) to the charitable institutions also where deduction is disallowed to the extent if the Expenditure is incurred in a particular year but the Cash Payment is made of a sum exceeding Rs. 10,000 to a person in a single day. These regulations can be relaxed allowing deductions to the NGO for higher amounts subject to the verification of the bills and vouchers.

2.4.35 Inter charity donations should be allowed not restricted to the similarity of the subjects of the donor trust and the donee trust, if the purpose is covid relief and response, subject to the application determined vide Circular no 1132 dt 5-1-1978 and Instruction Number 1582 dt 19-10-1984. However, the inter charity donations in these conditions should not be allowed to the corpus of the donee trust.

2.4.36 Substantial refunds of many trusts due to the TDS wrongfully deducted by the payers/ donors treating their payments as professional/ contractual income inspite of 12A registration of these trusts, are pending and their release must be expedited to ease the liquidity crunch which is being faced by these charitable institutions. For example, the trusts that are engaged in providing the mid day meal and jan aahars in the relief areas, their payments are often received after the deduction of TDS. Further on deficiency letters should be sent to the return filers in case the filers filling up ITR 7 forget to tick the box for exemptions and infructuous demand has been raised and considerable refund amounts adjusted against this infructuous demand. Approximately 1500 Cr of infructuous demand had been raised just because of this lacuna. Efforts should be made to assist the easing out of the liquidity crunch.

2.4.37 The recently released 3rd notification by MCA pertaining to Corporate Social Responsibility Rules, 2014 define the various modalities of how CSR expenditure is to be undertaken by charitable organisations. CSR activities can only be undertaken by a Section 8 company under the Companies Act. In case the trust, society, company are not established by the company itself, it could be a different Section 8 company that has a track record of at least 3 years in undertaking similar projects. However, given the fact that considerable Covid relief efforts are undertaken by the trusts and the societies, the CSR policy needs to be accommodative to such trusts and societies also and the companies should be allowed to make donations to these trusts and societies as a part of their CSR expenditure

2.4.38 During this crisis, people have come forward and donated generously. Thus they should be provided tax benefits for it. Thus conditions under sec 80G must be relaxed. This can include bringing long term capital gains and short term capital gains in definition of adjusted total income and allowing deductions on cash donations up to a certain limit.

2.4.39 Similarly, cap on overall deduction under 8OG to charitable institution can be temporarily lifted from 10 percent of total income to 25 percent, where such donation is given to charitable intuitions engaged in relief of the poor or providing medical facilities.

2.4.40 Registered charitable organisations should be allowed to engage in activities other the ones originally mentioned in their deed of registration if it pertains to fighting the current pandemic.

2.4.41 The charitable trust has to spent 85% of the donations received for the purposes of the charitable trust in the same financial year or in the next financial year by giving undertaking in order to take exemption. The donations which are remaining unspent in the two years if donated to PMCARES or specific fund before return filing date, then 200% of such donation will be taken as spent for the purposes of the charitable trust.

VIII. Procedural Measures to be undertaken by the Income tax department:

2.4.42 One of the most important taxpayer welfare measure will be predictability and certainty of tax regime. Thus the department must come out with a detailed plan of action and announce measures as soon as the lockdown ends so that the taxpayers are assured and can plan their operations accordingly.

2.4.43 We can also explore a **"zero scrutiny year"** for the current fiscal year. This will be a bold step but this is required at this time of crisis.

2.4.44 SUSPENDING DEBT RECOVERY: Administrations may want to consider suspension of debt recovery, including suspending the garnishing of wages or bank accounts and asset seizures and sales. Otherwise, the scheme of giving 10% reduction in the arrear demand if it is paid within due date can be explored for the capable assesses.

2.4.45 The dept. should go for minimum search and seizure operations in the current year, at least till 30 September, 2020. A guidance note specifying the exceptional conditions wherein such an operation can be done must be released. Few sectors like education, health, agro-based industries, transport, etc. can be avoided for search and seizure operations in the short term.

2.4.46 Deferring the applicability of proviso to Section 254 of the Act – mandatory requirement for payment of 20% of demand for stay before ITAT. In the Finance Act 2020, the provisions of Section 254 of the Act were amended and in the first proviso it has been inserted that the assessee shall be required to deposit 20% of the demand or furnish security of equal amount in respect of such demand. This deferment can help the tax payers involved in litigation to focus on their core business at the same time avoid large sum being stuck in litigation till April 01, 2021. Relief can also be provided by lowering the above limit of 20% to 10% to assist the taxpayers. This move will help foreign companies which are facing repetitive litigation wherein huge demands are raised on account of issues which involved substantial question of law, particularly for foreign companies.

2.4.47 **Tax payment facilitation:**

In this crisis time, we should focus more on facilitating the taxpayers, so as to make compliance easy and hassle free. As we all are aware that currently only authorised banks are allowed to accept the direct tax payment and the list of authorised banks include Public Sector Banks and 4 Private Sector Banks, which includes Axis Bank, ICICI Bank, IDBI Bank and HDFC Bank. Due to lockdown and Curfews, Banks are not working with their full strength and tax payment through digital modes is only allowed for 5-6 banks' debit card. To facilitate the seamless and timely tax payment, taxpayers can be facilitated by following measures:
Other banks which have pan-India presence can be included in the list of the authorised banks to accept tax payment. Some loan facility can be provided by the banks to the taxpayers which can be used for the payment of taxes.

2.4.48 **Taxpayers facilitation and communication:**

In 1996, the American economist, Richard Musgrave, coined the term, '***fiscal citizenship***'. Taxation is an essential constituent of the social contract between the State and its citizens. Being a citizen involves timely and accurate discharge of taxation liability, so that the State machinery can be duly empowered to carry out its developmental and regulatory obligations. The social contract applies to the government too: it must demonstrate the correlation between greater revenue collection and better public services that is often challenging.
Through a dedicated communications campaign that should be launched at the nationwide level, the idea that the very concept of 'citizenship' of a nation is inextricably linked with payment of taxes must be drilled into the psyche of the taxpayers. While this may seem a long-drawn, arduous task, and indeed it is, its role in ensuring greater voluntary compliance cannot be emphasized enough. The campaign can include positive messaging such as the one that famously appeared on a billboard in Alabama, and read: *"Nothing in this country is for free. If you are getting something without paying for it, thank a taxpayer."*
Just as was done last year in "Thank You Taxpayer" series, short AVs can be released on social media **encouraging taxpayers for better compliance** as a patriotic contribution towards nation's War Against COVID-19 with help of DTE. Of PR, PP & OL.T website, print, online & TV may be used for **promoting** these initiatives. Income Tax official website and PR,PP&OL/Spokesperson/AIIRSA may be used to give **appropriate publicity** to this initiative of REGION IT.

2.4.49 **UTILISE ASK CENTRES AS A "FORCE MULTIPLIER" FOR COVID-19**

1. The ASK will have an IT-COMAL Desk (INCOME TAX – COVID-19 MANAGEMENT LIASON) manned by a skeletal roster of staff.
2. IT-COMAL Desk will act as a temporary single-window to receive requests/queries from taxpayers most affected by COVID-19. It will function during office hours with a dedicated email/landline number. Issues may relate to help with refunds or applications for stay of demand/grant of instalments. The Desk will push the requests to concerned PCIT.IT-COMAL

will also receive any suggestions to be forwarded to CBDT concerning difficulties faced by taxpayers in REGION due to COVID-19.

3. The Desk will also serve as a data bank for identifying business entities and Trusts who may be able to part with Central or jurisdictional state government/s in any COVID-19 related endeavour. For e.g. if Min. of Textiles needs to locate manufacturer who can be contacted for making PPE/masks etc., it can call/email the IT-COMAL Desk.

2.4.50 **Social media outreach Initiative-** The social media accounts of the Income Tax Department on Twitter and Facebook are currently used only for the purpose of information dissemination. The department should also consider organising a 'Facebook Live' session where it can address the queries and grievances of taxpayers in real time.Creating a Chatbot (or a virtual assistant- 'Tax assistant' like the Google Assistant) on the department website to interact with taxpayers and deal with common grievances that might arise in this situation.

2.4.51 **VPN access:** The Income Tax Department itself should implement the Virtual Private Network so that it is able to work from home also and to be able to continue working in such crisis times in the future.

2.4.52 However, the important issue to note here is that direct taxes benefits must be complimented by benefits in indirect taxes to form a comprehensive package which will go a long way in supporting the industry.

Part 5: Tackling Tax Evasion during Corona Crisis

2.5.1 The crisis time is the fishing ground for malicious activities for appropriating the funds and other illicit activities. The recent example of fraud involving the donations sought under the false PM care fund UPI was detected by the banking authorities. Similarly, the enforcement agencies should focus on the malicious agencies which obstruct the relief measures. The department should formalise the targeted enforcement action plans to weed out the evading elements in the society. There should be balance between the enforcement action and taxpayers welfare. This is also very vital in improving the revenue collection efforts and deterrence will be there among the agents acting outside the law. The following

2.5.2 Check on under reporting

While there would be broad based loss of business and reduced sales, it is important to be vigilant about under reporting. Relative grading of sectors and segments to ascertain the impact of pandemic and recession may be undertaken.

Factors to be considered:

1. Duration and intensity of industry wise lockdown restrictions.
2. Geographical location of businesses.
3. Line of business as certain sectors are likely to register increased sales. These include Medical equipment, Online service portals, Small software firms and Specialty chemicals.
4. Industries benefitting from easing of crude oil prices and disruption in imports from worst hit economies should be identified.

2.5.3 Giving greater attention to loss reporting businesses

In an economic crisis loss reporting businesses present a growing compliance risk as it becomes difficult to distinguish illicit losses from bona fide ones in a general environment of decreased profitability.

Measures may include:

1. Mechanism to verify large doubtful claims.
2. Checking for possible manipulation of losses by consolidated groups.

2.5.4 Securing Tax Withholding

Withholding taxes pose a high risk to revenue collection during a crisis because increasing number of credit constrained businesses can be expected to illicitly retain the taxes they withhold from the customers or employees to finance their ongoing operations.

Measures may include:

1. Broadening coverage for TDS surveys
2. Enhancing exchange of information with other agencies.

However, the relief measures regarding the relaxation of TDS deposits and returns has to be considered for enhanced compliance by deductors. This measure to be balanced one to prevent withholding and to give relief for Deductors.

2.5.5 Watch on financial crimes having tax implications.

Malicious and fraudulent transactions common with disasters should be identified and taxed where ever applicable.

These include:

1. Imposter scams wherein donations are solicited impersonating government agencies or international organisation.
2. Investor scams
3. Insider trading

2.5.6 Amnesty scheme for undisclosed income:

An Amnesty scheme where all money locked up with the people in the form of undisclosed income can be introduced in the economy by disclosing the money with flat 30 % tax and 35% additional tax earmarked for Covid Relief.

2.5.7 Vigilance on activities of charitable organisations

During the pandemic, the activities of charitable organisations are bound to increase. It is necessary to promote them, while at the same time misuse and abuse should be checked to prevent revenue foregone as well as to encourage the genuine organisations.

1. Non invasive methods to ascertain genuineness of expenditures made on relief activities.
2. Data analytics to unearth money laundering through these organisations.

Chapter 3 - Comparative Study

Part 1: A Global case study on MSME sector

3.1.1 The MSME sectors are the worst affected by the COVID-19 due to massive economic shutdown by the containment measures. Because, these enterprises are having debt obligations and cash poor sector t withstand the slowdown in the economy. Incidentally, this sector is the also engine of vulnerable workforce, they will be pushed to the poverty if left unaddressed. The most recent OECD forecast (27 March) indicates that the initial direct impact of the shutdowns could be a decline in the level of output of between one-fifth to one-quarter in many economies, with consumers' expenditure potentially dropping by around one-third. It can be seen from the below survey findings, the vulnerability in the MSME sectors are very apparent.

3.1.2 Surveys among SMEs on the impact of the COVID-19 crisis:

1) China: SMEs are left with only cash enough to sustain a month or two. Though 60% are back in business but face reduced demand.

2) Italy: The most affected firms are those in transport (98.9%) due to the demand downfall, then tourism (89.9%), fashion (79.9%), and agro-food (77.7%)

3) United States:80% expecting to experience the impact of the outbreak. 51% of small-business owners believe they could not weather more than three months of the current economic environment.

4) UK: 69% of SMEs have significant cash flow problems, with more than one-third fearing that without support they would not last until Easter.

5) Israel: A third of companies were planning to lay-off workers.

6) South Korea: 42.1% cannot continue business for more than 3 months; 70.1% for no longer than 6 months

7) Japan: Thirty-nine percent of respondents reported supply chain disruptions and 26% a decrease in orders and sales. 92.1% of companies have experienced an impact on their business or are likely to do so. The business condition index reached the lowest level (-49) since the Great East Japan Earthquake

3.1.3 Global SME Policy Response:

These are the targeted measures taken by various countries to support the MSME sector as follows:

1. Shortening the working time, temporary layoff and sick leave
2. Deferral of tax, social security payments, debt payments and rent and utility payments
3. Extended or simplified the provision of loan guarantees, to enable commercial banks to expand lending to SMEs.
4. Direct lending to SMEs through public institutions.
5. Grants and subsidies to SMEs and other companies to bridge the drop in revenues.
6. Countries are putting in place structural policies to help SMEs adopt new working methods and (digital) technologies and to find new markets and sales channels to continue operations under the prevailing containment measures.
7. Enhance cash flow measures
8. Specific schemes to monitor the impact of the crisis on SMEs and enhance the governance of SME related policy responses

Now, each measure is discussed in brief and methods adopted by various countries are enumerated here.

3.1.4 <u>Measures related to working time shortening, temporary lay-offs and sick leave:</u>

1.1 Reduction of working hours and temporary unemployment:

a) Netherland: companies expecting a drop in value added (minimum 20%), can ask for a compensation of 90% of wage costs, where 80% can be given in advance
b) Denmark and Hungary: relaxed employment legislation to allow companies to reduce employee hours temporarily.
c) France and Portugal: Simplified layoffs
d) Brazil: eases possibilities to suspend employment contracts

1.2 Wage support:

a) Brazil: introduced possibilities for firms to reduce working hours and pay by up to 50% while maintaining the employment link.
b) Canada: small-business owners will receive a temporary wage subsidy equal to 10% of their salary bill for a period of three months
c) New Zealand: providing NZD 5.1 billion in wage subsidies for affected businesses in all sectors and regions

1.3 Sick leave:

a) Denmark: employers will be reimbursed completely by the government from the first day that an employee becomes ill or enters quarantine due to coronavirus, other countries offer partial reimbursements.
b) Brazil: the government will pay for the first 15 days of leave of the worker with COVID-19
c) United Kingdom: businesses employing fewer than 250 people are entitled to government refunds on any sick pay they give to the employees in the first two weeks.

3.1.5 Deferral of tax, social security payments, debt payments, and rent and utility payments

2.1 Income Tax:

a) Colombia: introduced deferral of income taxes for the tourism and aviation sectors
b) UK: all retail, hospitality and leisure businesses in England a 100% business rates tax holiday for the next 12 months.
c) No interest is charged on the delayed payments in many countries, such as Canada, Ireland, Lithuania, the United Kingdom.
d) Poland: introduced a new method of loss settlement by entrepreneurs, with losses incurred in 2020 to be deducted from the tax that was due for 2019.
e) Latvia: postpones tax overdue payments for up to three years if the overdue is an effect of the outbreak.
f) Some countries have announced specific budgets for tax deferral. Austria, for instance, installed EUR 10 billion in tax deferral.

2.2 Tax Relief:

a) China: provides social security premium incentives, refunds of unemployment insurance premiums, and SME exemptions from pension, unemployment and work-related injury insurance premiums (totaling up to CNY 500 billion nationwide).
b) France: case-by-case basis exemption from corporate and income tax payments
c) Turkey: accommodation tax will be cancelled until November;
d) Viet Nam: introduced reductions in land lease fees;
e) Thailand: introduced a reduction of withholding tax by 1.5 percentage points (from 3% to 1.5%), and tax deductions of salary expenses.

2.3 Debt payment moratorium:

In some countries, a deferral of debt payments was introduced in the form of a debt moratorium. In some countries, these are private initiatives by commercial banks.

3.1.6 Public procurement and payment

3.1 Public Procurement:

a) A number of countries have introduced derogations from standard procedures to cover extraordinary needs (e.g. Sweden, Portugal, Poland, Greece).

b) In Korea procurement processes have been simplified by limiting on-site inspections.
c) In China and Israel, the government promotes buying from local SMEs.

3.2 Loan guarantees:

a) In particular, in Europe and Asia, governments have introduced or intensified guarantee schemes to banks to strengthen lending to SMEs
b) The measures include the extension of the types of SMEs and firms for which those measures are open, the raising of the ceiling up to which the guarantee applies as a percentage of the loan, the acceleration of guarantee and lending procedures and more generally the enlargement of public funding available to support guarantees.

3.1.7 <u>Direct lending to SMEs:</u>

4.1 New Loan Schemes:

a) Austria, Croatia and the Czech Republic: introduced specific COVID-19 loan funds, providing working capital to SMEs.
b) The United Kingdom: introduced a GBP 1.2 million "Coronavirus Business Interruption Loan" for small and medium sized businesses affected by coronavirus.

4.2 Sector wise:

a) Columbia: opened-up a new credit line for the tourism and aviation sector.
b) Austria: EUR 100 million is available for loans to hotels that suffer more that 15% losses in sales.
c) Brazil: has also opened a working capital loan line for small and medium-sized firms of tourism and service sectors and the simplification and waiver of documentation.

3.1.8 <u>Grants and Subsidies:</u>

a) France: created a solidarity fund to support microenterprises with cash flow problems.
b) Korea: an Emergency Fund, providing direct financial support to SMEs and self-employed, is being used to encourage these firms to keep their employees.
c) Germany: EUR 10 billion fund is available to buy a stake in struggling companies.

3.1.9 <u>Structural Policies:</u>

6.1 Measures to find new and alternative markets:

a) Belgium: for instance, has opened up existing financial instruments for SMEs – such as the SME growth subsidy – as to support firms to find alternative markets, particularly where supply chains are impacted.
b) China: encouraging large enterprises to cooperate with SMEs, by increasing their support in supply chains, in terms of loan recovery, raw material supply, and project outsourcing.
c) New Zealand and Slovenia: offer aid for internationalisation and measures to diversify export- and import markets.
d) Switzerland: offers compensation for reduced exports promotion activities of CHF 4.5 million

6.2 Measures to support tele-working and digitalization:

a) China: has introduced measures to foster the adoption by enterprises of new technologies, business practices.
b) Korea: introduced measures to encouraging brick-and-mortar shops to open their business online;
c) In Latvia and Mexico: Fintech initiatives are being developed to support SME finance in the context of the crisis.
d) Malaysia: The Malaysia Digital Economy Corporation, set-up by the government as part of the country's digital strategy, offers an extensive list of digital solutions for SMEs by Malaysian tech companies

6.3 Measures to support innovation:

a) The Finish, Latvian and Polish governments: back hackathons among start-ups and SMEs to help find innovative solutions to the crisis.
b) Singapore: increased its funding period to six months to better support SMEs during the crisis.
c) China: encourages SMEs to engage in the innovation of technologies and products related to pandemic prevention and control.

3.1.10 To support SME cash-flow

a) The application of interest on late payments in suspended for January and February VAT and both February and March PAYE (employers) liabilities. (Ireland)
b) Tax deductions of 30% for charitable donations linked to the COVID19 emergency. (Italy)
c) Extending the rights of the tax administration to divide into time periods or to defer the payment of outstanding taxes for a time period of up to three years for taxpayers in sectors, which have been affected by the Covid-19. This policy measure is now under consideration. (Latvia)
d) Waives the required minimum distribution rules for certain defined contribution plans and individual retirement accounts for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts. (United States)
e) For 2020, allows above the line deductions of up to $300 of cash charitable contributions, whether or not the taxpayer itemizes or takes the standard deduction. (United States)
f) Increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50% of adjusted gross income limitation is suspended for 2020. For corporations, the 10% limitation is increased to 25% of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15% to 25%. (United States)

Conclusion:

3.1.11 The above measures are described in brief to know about the global tax policy responses, which gives idea about the best efforts to emulate in our country to suit of domestic settings. The current situation is unprecedented in the human history and the economic measures are not studied widely to analyse its adequacy and correctness. The Global tax policy responses for different countries are described in brief in ***Appendix B-Corporate Tax and Appendix C-Personal income tax***. However, the international cooperation to analyze the best tax policy measures can be instituted to constantly update our policy measures to counter the economic crisis precipitated by COVID-19.

Sectoral dissections of stress

The Macroeconomic environment is widely affected by COVID-19 and it is vital to have a brief about the slowdown in each sector. The tax administration is embedded in this macro environment and revenue collection is directly proportional to the change of cycle. Some of the sectoral slowdown is given in the following sections as a brief:

1. Airlines and tourism

Aviation and tourism is among the worst affected sectors amidst the COVID-19 crisis. It becomes crucial as it employs about 12% (both directly and indirectly – FY18) of the employed population in India [Aviation, Tourism and Hospitality sector overview on InvestIndia website]. The closing of the doors between the nations and domestic lockdown has brought the passenger traffic, all three - inbound, outbound and domestic, to a halt. As per International Air Transport Association (IATA), 2020 global revenue loss for the passenger business is estimated between $ 63 billion (11%) and $114 billion (19%). Due to uncertainty and post crisis impact of COVID-19, abroad passenger traffic is expected to remain lean and domestic passenger revenue will also suffer due to low traffic and subdued airfares.

The industry is already low on cash reserves and cancellations, rescheduling and low traffic can lead to job losses and pay cuts, even may bring some to the brink of bankruptcy.

The tourism and incidental sector will be majorly impacted due to travel restrictions and post crisis uncertainty, recovery and lower discretionary spending. The states like Goa, North Eastern states, Kerala and UTs like Jammu & Kashmir, Puducherry where tourism has significant share in GDP will see large slump in economic activity and resultant unemployment. On account of COVID-19, the Indian tourism and hospitality industry is staring at a potential job loss of around 38 million [KPMG's Impact of COVID on Indian economy report].

2. Hospitality (including hotels, restaurants, food and beverages)

Almost 30% of the private final consumption expenditure is spent on hospitality [Ministry of Statistics and Programme Implementation estimates of National Income, consumption expenditure, saving and capital formation]. Many restaurants, already operating on thin margins, will be forced to lay off staff and/or close in the coming weeks. Increased unemployment, lower earnings and tendency to spend less on discretionary areas will have a notable impact on the hospitality sector.

3. Auto and advanced industries

Automobile and allied industries are one of the most important sectors contributing around 10% to the GDP and almost 50% of the manufacturing GDP [Automobile and auto components sector overview on Invest India website]. Already facing weak demand and high levels of unsold inventory, particularly BSIV norms vehicles phasing out from 1st April 2020, COVID-19 will have major repercussions on the sector.

Production shutdowns across the globe will disrupt supply chain, with China being major import partner in auto parts and cash flow issues aggravated further following NBFC crisis. This will lead to layoffs and later create problems of contract labor availability once the situation normalizes. Further fall in passenger vehicle segment, even reduction in commercial vehicles is expected owing to pandemic uncertainty, lower consumer purchasing power and lower production/supply scenario.

4. Construction and real estate

The real estate sector is one of the largest employment generators in the country and has a multiplier effect on around 250 allied industries. The sector is already under stress due to large unsold inventory, liquidity issues post NBFC crisis and poor consumer demand.

COVID-19 has resulted in stoppage of construction activities leading to large unemployment of contract and daily workers and resultant post lockdown announcement exodus of migrant labor. This will lead to issue of manpower availability in post crisis scenario.

Also, overall halt in manufacturing sector will disrupt supply chain like cement, steel and other building materials. Lower demand in residential segment, lower footfalls for retail and hospitality segment and low industrial (logistics and warehouses) activity will weaken the sale velocity and cash flows.

5. Textiles and Apparels

The sector is one of the largest employers in the country, employing over 45 million (direct jobs) and sizeable number of contract laborers [Ministry of Textiles Annual Report 2018-19]. Also, textiles form one of the major commodities in our export basket.

The lockdown has led to temporary closures of factories and layoffs have begun. The lower income and lower propensity to consume arising out of uncertainty surrounding COVID-19 will significantly reduce the demand. Also, exports will be considerably impacted due to drastic fall in global demand and export ban on critical raw materials (like those to make masks).

However, manufacturing of critical textile goods like masks etc. has been continued during the lockdown rather has increased. The demand for affordable apparels and footwear won't be impacted much in post crisis period being a necessity item.

6. Transportation, freight and logistics

Around 18% of the private final consumption expenditure is spent on transport [Ministry of Statistics and Programme Implementation estimates of National Income, consumption expenditure, saving and capital formation]. Also, transport and logistics contribute 14% to the Indian GDP [Transport and logistics sector overview on Invest India website]. Forming a major part of infrastructure segment and having significant impact on allied sectors, it is important for competitiveness and export potential of a country.

The low economic activity in lockdown period (production, trade and commutation) and supply chain issues even in case of essential commodities has significantly impacted the transport sector and reduced its utilization. This not only created employment problems but also low energy demands. The returning of migrant labor to their native states might create manpower problems for the logistics sector when the lockdown subsides and conditions normalize.

However, a surge in private transport is anticipated as people have become wary of public transport due to perceived/potential health risks, thus underutilization of public transport like state run buses, metros, etc. impacting revenue and cash flows.

Taking a macro view, pace of infrastructure development projects like Sagarmala, Bharatmala, Dedicated Freight Corridors, Industrial Corridors, etc. is expected to slowdown possibly leading to time and cost overruns.

7. Agriculture & Food:

Overall the impact on the sector is low as Primary agriculture, Agri Inputs, Food retail are classified as essential services and are running in the lock down. Export of agri and food products might be impacted for the next 6 months. Products for exports need to be diverted domestically. Immediate bottleneck areas which need to be addressed are workforce supply, supply chain & logistics.

8. IT services:

Supply of Indian IT sector has been maintained due to remote working by the IT companies but the demand side is severely impacted as Covid-19 pandemic has dented demand, especially in overseas markets, as discretionary spending was knocked by public health measures aimed at stemming the outbreak. The IHS Markit India Services Business Activity Index recorded 49.3 in March, down from February's 85-month high of 57.5 which indicates contraction of the IT services sector.

9. Pharmaceuticals:

The impact on the industry is medium. Generic medicines are impacted as supply chains from china for raw materials are disrupted for the past few months. Pharma manufacturing is an essential item and is not impacted by lockdown though it faces constraints of workforce availability and logistics bottlenecks.

10. Telecommunications:

Telecom can be classified into telecom services and Handset & OEMs. In telecom services, impact has been less though subscriber additions have been impacted. The increased broadband usage has resulted in pressure on the network and demand in excess of 10%. Handsets & OEMs have faced greatly impacted due global supply chain disruptions and suspension of manufacturing facilities.

11. E commerce:

Stronger demand for delivery through e commerce, consumers are buying essentials and postponing purchase of non essentials. Currently e commerce impacted due to supply chain bottlenecks in slowdown but will see a big uptick in sales post lockdown.

12. MSME:

The MSME's provide employment to more than 114 million people and contribute about 30-35% of the GDP. The impact on MSME's will be high. MSME's are affected at several levels – with national lockdown, the production facilities and the retail has been hit badly. Micro enterprises specifically in the services sector are considerably impacted.

13. Digital Services:

The COVID-19 pandemic has thrown a spanner in the works of every single organization. Even as the media and entertainment industry comes to terms with this 'new normal', the digital over the top (OTT) industry seems to have got a thrust as digital viewership keeps on increasing week on week. A lot of advertising is moving from electronic to digital in COVID times.

14. Metals and mining

Mines around the world have been thrown into uncertainty. There are fears that COVID 19 could trigger a global recession. It faces a cash flow constraint if lockdown extends. The sector is dependent on raw materials which are procured on a cash-and-carry basis. On the other side, sales would also be impacted due to distress in auto and construction sector.

The production units are running with lower capacities and lesser numbers of staff. In addition, many industries such as steel are dependent on import of raw material, coking coal being a case in point. Hindrance to their availability will further strain the sector.

15. Oil and Gas

Crude oil prices have been falling. Additional supply resulting from a price war between Russia and Saudi Arabia price and weakened global demand due to COVID-19 are expected to drive prices down. Slowdown in key downstream industries, like textile and packaging, due to lockdown, have a ripple effect on petrochemicals demand and thus on oil and gas demand. Imports are however, expected to fall as major sources are highly impacted by COVID 19. Poor demand outlook would further restrain importers and traders.

16. Power

The power sector contributes to 2% of country's GDP. The lockdown has led to shutdown to major commercial activities reducing the demand for power except in domestic households. According to Power System Operation Corporation of India (POSCO), the energy met reduced from 3113MU to 2600-2800 MU between March 25th to March 31st 2020. This could be major risk for already overstressed discoms due to loss of revenue in short term. However, the discoms may have to fulfill their 'must buy' commitments. The reduction in demand is also visible in the volumes traded on electricity market and clearing price.

17. Consumer and retail

The consumer retails sector contributes 11% to the total GDP and 8% to the total employment in the economy. Production for non-essentials would be impacted due to demand for labour, transport and disruption in supply chains. Raw material supply as well as transport would be impacted.

MSMEs engaged in the production of retails items would also be impacted due to lack of working capital, cash flow issues and lack of credit availability. The e-commerce sector will also face challenges. There will increased pressure on supply chain for deliveries. However, food and grocery retail would be less impacted. Demand is also expected to remain low as the sentiment to conserve cash due to uncertainty of duration of COVID 19 exigency. Rural stress and a spiraling effect of COVID 19 impact on agriculture and rural economy would further dampen the demand for non-essential consumer products.

18. Financial

Financial sector is the backbone of economy providing financial services, credit and maintaining liquidity in the system. The sector is not immune to the impact of COVID 19. It is expected to face major challenges in its asset value and recovery of dues.

The sector has advanced itself in technology with online banking through Aadhaar, UPI, BHIM being available to people. Aadhaar has also allowed e-signing provisions through which allied sector such as insurance can keep functioning. Uptake of services through digital channels will further increase which could be positive in long term for the economy.

The credit uptake from banks might be reduced under recessionary market conditions and cautious customer outlook. Retail investors are likely to defer investments. However, in short term, savings may increase which can help liquidity conditions in the system.

Retail financing industry will be impacted for at least two quarters, as the demand for housing assets, consumer goods and working capital financing will get hit.

Even in insurance sector, the growth is expected to be muted in short term. However, as the awareness around health insurance products increase, in long term, it is expected to gain. The sector in short term, however, may face renewal delays and lack of fresh business.

Global tax policy -Corporate Income Tax

There is a widespread effects on economy at global scale due to the COVID-19 pandemic. The whole world is taking the containment measures to prevent the transmission of this disease. Meanwhile, there are lot of fiscal responses in terms of economic stimulus packages announced by the countries to mitigate the economic impact. This section is to bring out the tax policy responses of various countries and different methods adopted by them in each measure.
There are varieties of tax measures taken by the countries to ease the stress on corporate sector at this worst economic scenario as follows:

1. Deferrals (tax payments are delayed to be paid at a future date)
2. Accelerated Depreciation (higher depreciation is provided over an asset)
3. Extension of Deadline (deadline for tax payments is extended)
4. Suspension of Tax payments (moratorium is being introduced on tax payments)
5. Accelerated IT refunds (Tax refunds are being fast-tracked)
6. Loss Carry Back
7. Payment of Corporate Income Tax (CIT) in installments (tax liability could be paid in installments)
8. Reduction in CIT (Corporate income tax rates are lowered)
9. Loss carry forward
10. Rebates
11. Deductions towards employee salary

The methods adopted under each measure by various countries are described below:

1. Deferrals (tax payments are delayed to be paid at a future date)

1.1 All tax payments due in March are being postponed to September 2020 (Seychelles)
1.2 Deferral of corporate income tax pre-payments until 20 April 2020. Taxpayers who file tax returns electronically are not affected by the measures. (Algeria)
1.3 Applications can be made to reduce and/or not fix the advance payments of income or corporation tax for the fiscal year 2020, to refrain from setting additional interest, to defer and pay instalments, and to suspend deferred interest and late payments. (Austria)
1.4 Deferral of income tax filing and payment until June 2020 for all businesses (instead of 31st of March) for the Income Year 2019. (Bhutan)
1.5 Postponement of payments of CIT until 30 June 2020. The tax due can be paid in instalments until the end of 2020(Bosnia)
1.6 Certain tax liabilities and other charges are postponed, in particularly for SMEs. (Bhutan)
1.7 CRA will allow all businesses to defer, until after August 31 2020, the payment of any income tax (until September 2020). No interest or penalties will be applied on these amounts. (Canada)
1.8 Postponement from April to July 2020 of the payment of CIT for SMEs. The CIT return shall be submitted in April (as usual). This measure should benefit 140.000 SMEs. (Chile)
1.9 Corporate income tax can be deferred for a period of up to 3 months with possible prolongation on additional 3 months. (Croatia)
1.10 Unlimited postponement of CIT payments based on evidence provided by the business and approved by the tax authority(Czech Republic)
1.11 Deferral of CIT liability for businesses affected by the virus. Businesses must themselves demonstrate that they have run into problems due to the corona crisis. (Germany+Netherland)
1.12 These measures include deferment of tax instalments (for a six-month period), allowing companies to revise their tax estimates early, exemption from the Human Resource Development Fund (HRDF) levy, and exempting hotels from service tax. (Malaysia)
1.13 Postponement of payments of corporate income tax(Moldova Norway)
1.14 Monthly business tax payments can be postponed up to the end of September 2020(Myanmar)
1.15 Payment of corporate income tax will be extended from 15 April 2020 to 15 July 2020. (Puerto Rico)
1.16 Deferral of CIT instalments until 30 May for entities with a turnover not exceeding EUR 6 million. The maximum amount of taxes that can be deferred is EUR 30,000. In order to obtain the

deferral, eligible taxpayers need to apply digitally throughout the normal procedure od tax declaration. (Spain)

1.17 Provides single employer pension plan companies with more time to meet their funding obligations by delaying the due date for any contribution otherwise due during 2020 until 1 January 2021. At that time, contributions due earlier would be due with interest. The bill also provides that a plan's status for benefit restrictions as of 31 December 2019, will apply throughout 2020(USA)

1.18 The U.S. Treasury Department relying on administrative discretion will defer tax payments without interest or penalties for certain individuals and businesses negatively impacted, aiming to provide additional liquidity to the economy. (USA)

1.19 Tax relief. Individuals and businesses that have difficulties to comply with their tax obligations can set up installment arrangements. Alternatively, application for a write-off due to serious hardship can be made when businesses and individuals know they won't be able to pay the full amount. (Cook Island)

2. Accelerated Depreciation (higher depreciation is provided over an asset)

2.1. Accelerated depreciation: Businesses with a turnover of less than $500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost. (Australia)

2.2. Allowing enterprises, a faster write-down of their investments in plant and machinery, and renovation and refurbishment, incurred for year of assessment 2021(Singapore)

3. Extension of Deadline (deadline for tax payments is extended)

3.1. Extension of the deadline for submission of the annual corporate income tax returns, and for the payment of the taxes assessed therein, until 30 June 2020 (currently, the deadline is 31 March 2020). (Bulgaria)

3.2. Extension for filing tax returns can be requested. If late filing due to a justified reason, late-filing penalties may not apply. (Finland)

3.3. Tax relief can be given to companies that face financial difficulties as a result of the Coved-19 pandemic on a case-by-case basis. Companies can also request to extend the monthly payment deadline from with respect to the advance payments of CIT and SSCs; no interest and penalty for late payment will apply. (France)

3.4. Iceland is extending payment deadlines on taxes and levies for those industries that have experienced in drop in revenues, in particular the tourism sector. (Iceland)

3.5. Tax returns can be filled automatically 3 month later (until 30.6.2020) without any sanctions for late filing. (Slovak Republic)

3.6. The deadline to pay income tax, value added tax and assessment tax will be extended to 30 April 2020.(Sri Lanka)

4. Suspension of Tax payments (moratorium is being introduced on tax payments)

4.1. Suspension of mandatory monthly provisional payments on account of CIT for the next 3 months. This measure should benefit 700.000 businesses. (Chile)

4.2. Tax compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months and a portion of their provisional corporate income tax payments without penalties or interest over the next six months. This intervention is expected to assist over 75 000 small and medium-term enterprises. (South Africa)

5. Accelerated IT refunds (Tax refunds are being fast-tracked)

5.1. Suspension of mandatory monthly provisional payments on account of CIT for the next 3 months. This measure should benefit 700.000 businesses. (Chile)

6. **Loss Carry Back** (An assessee is allowed to retroactively choose to apply the net operating loss in the current year to the previous profitable years to obtain a tax refund for money already remitted or incurred on the profits earned in those years)

6.1. Loss carry-back for the 2020 tax year which will allow taxpayers to carry back their 2020 tax losses against profits in the 2018 and 2019 fiscal years. (Norway+ Czech Republic)

6.2. Under the carry-back relief scheme for YA2020, qualifying deductions may be carried back up to 3 immediate preceding YAs (instead of one preceding YA), capped at $100,000 of qualifying deductions and subject to conditions. (Singapore)

7. Payment of CIT in installments (tax liability could be paid in installments)

7.1. The payment of the annual corporate income tax due in April by all companies with a financial year ending in December 2019 may be paid in 4 equal installments.

7.2. "Time to Pay" arrangements for businesses and self-employed workers who need more time to pay taxes. These arrangements are open in cases where the business or self-employed is at risk of not being able to pay their tax bill due to Covid-19. They are agreed on a case-by-case basis. (UK)

8. Reduction in CIT (Corporate income tax rates are lowered)

8.1. Reduction in the standard corporate income tax rate from 30% to 25%. (Kenya)

8.2. Reduction of the corporate income tax if the taxpayers have paid their first quarterly tax by 25 April 2020 (5% reduction on their quarterly tax for large corporation and 10% for SMEs) (Romania)

9. **Loss carry forward** (It's a provision that allows a taxpayer to carry over a tax loss to future years to offset a profit)

9.1. For seriously affected businesses in certain sectors (transport, catering, accommodation and tourism), increase loss-carry forward from 5 to 8 years for losses incurred in 2020. (China)

9.2. The government is planning to allow companies to carry forward losses for more than four tax years(Slovak Republic)

10. **Rebates** (It provides for a lower tax payment from individuals earning below a specified limit)

10.1 A CIT rebate of 25% of tax payable, capped at $15,000, will be granted for Year of Assessment ("YA") 2020(Singapore)

11. **Deductions towards employee salary** (Salary payments made could be used to claim tax deductions)

11.1 Small or medium-sized enterprises (SMEs) will be able to claim a 300% deduction on salary payments made from April 2020 to July 2020. (Thailand)

11.2 SMEs will be able to claim a 150% deduction of interest expenses incurred from April 2020 to December 2020. (Thailand).

Global tax policy responses -Personal Income Tax

There are various measures given to the individual taxpayers, self-employed, health care workers and stressed sector employees like tourism sector in the following heads to provide relief:

1. Deferral of income tax payments and filing returns
2. Measure to enhance household cash-flow
3. Tax policy to support employment
4. Measure to support health system

The various methods of the above heads are described in brief in different countries as below:

1. Deferral of income tax payments and filing returns:

1.1. Deferral of personal income tax pre-payments until 20 April 2020. Taxpayers who file tax returns electronically are not affected by the measures. (Algeria)

1.2. Applications can be made to reduce and/or not fix the advance payments of income or corporation tax for the fiscal year 2020, to refrain from setting additional interest, to defer and pay installments, and to suspend deferred interest and late payments. (Austria)

1.3. Deferral of required advance income tax payments for the fiscal year 2020. (Costa Rica)

1.4. 3 months general postponement of payments of PIT based on tax returns (this does not affect withholding of PIT for employees). The date for submitting of tax returns and payment is unchanged. However, all sanctions stipulated in the tax code are pardoned for 3 months in case of non-compliance. (Czech Republic)

1.5. For the self-employed, it is possible to adjust the rate and the down payments at source of any tax due at any time. It is also possible to defer the payment of their withholding taxes on their professional income from one month to another up to three times if their installments are monthly, or from one quarter to the next if their deposits are quarterly. It will also be allowed to suspend temporarily their water, gas and electricity bills and rents (for smaller businesses that face difficulties as a result of the Covid-19 pandemic). (France)

1.6. Deferral of annual personal income tax and corresponding withholding taxes levied on personal business income for taxpayers that are forced to suspend their business activities due to the Covid-19 pandemic. The tax liabilities can be deferred from 1 April to 1 November 2020 upon request (following the same deferral conditions as for PIT liabilities in the tourism sector) (Georgia)

1.7. Deferral of PIT liability for businesses affected by the virus. Businesses must themselves demonstrate that they have run into problems due to the corona crisis. (Germany).

1.8. Deferral of the payment of corporate and individual withholding taxes for businesses affected until June 30, 2020. (Guyana)

1.9. In certain most affected sectors (such as tourism, catering trade, event organization, entertainment industry), temporary abolition of payroll taxes for employers and abolition of social insurance contributions for employees from March to June 2020 (Hungary)

1.10. Individuals and sole proprietors who have economic difficulties caused by the corona virus pandemic will be able to apply to the following options upon request:
1) deferral of payment, 2) payment in installments,3) mitigation or waiver of tax. (Hungary)

1.11. Income tax returns for FY18-19 due on March 31st are postponed to June 30th. No late fee/penalty should be charged for this period. (India)

1.12. Measure to enhance business cash-flow (Korea)

1.13. Exemption from the advance payments for the taxation year 2020. Within a taxation year, the taxpayer may voluntarily make advance payments of personal income tax for the taxation year 2020. (Latvia)

1.14. Self-employed individuals that realize income from a profession, or commercial or agricultural activities can request help if they are facing liquidity issues due to COVID-19. Authorities have also extended the deadline to file individual (personal) income tax returns to 30 June 2020. (Luxembourg)

1.15. Tax due in March and April for PIT, VAT and NI deferred to a later date. (Malta)

1.16. Deferral of the payment of personal income tax and social security contributions as well as other tax liability (free of interest charge or any other sanctions for late payment). (Montenegro)
1.17. Quarterly advance income tax payments that are due by 31 March and June 30 can be postponed up to the end of September 2020. (Myanmar)
1.18. Deferral of PIT liability for businesses affected by the virus. Businesses must themselves demonstrate that they have run into problems due to the corona crisis. (Netherlands)
1.19. Possibility to defer PIT arrears accrued on 31 December 2019 or previous fiscal years until 30 April 2020. If a down payment is made of 20% of the tax debt, the interest rate that will be applied is 0% and no penalties for late payment will be applied; the payment scheme may include up to 5 monthly installments. (Paraguay)
1.20. Tax authorities in Hubei province are urged not to withhold individual income tax from “sole traders” and “partnership enterprises” when these taxpayers issue VAT invoices for cargo transportation services. (Note: normally, a prepayment of individual income tax is withheld when “sole traders” and “partnership enterprises” issue VAT invoices orn cargo transportation services). (People’s Republic of China)
1.21. Payment of individual income tax will be extended from 15 April 2020 to 15 July 2020. (Puerto Rico)
1.22. (1) Delay of the deadline for submission of the tax return of the advance payment of personal income tax on income from the activity and tax return of CIT for 2 months; (2) the possibility of delaying the advance payment of tax and withholding tax due to loss of income due to the corona virus epidemic up to 2 years without incurring interest (3) the possibility of delaying the tax payments due to loss of income due to the corona virus epidemic up to 2 years (Slovenia)
1.23. Deferral of PIT withholding until 30 May for individual persons or entities with a turnover not exceeding EUR 6 million. The maximum amount of taxes that can be deferred is EUR 30,000. In order to obtain the deferral, eligible taxpayers need to apply digitally throughout the normal procedure of tax declaration. (Spain)
1.24. Postponement by 12 months of three months of preliminary income tax payments on salaries due between January and September 2020; with interest charge. (Sweden)
1.25. Income Tax Self-Assessment, payments due on the 31 July 2020 will be deferred until the 31 January 2021. (United Kingdom)
1.26. The U.S. Treasury Department relying on administrative discretion will defer tax payments without interest or penalties for certain individuals and businesses negatively impacted, aiming to provide additional liquidity to the economy. (United States)
1.27. This supersedes measure on line 189. The U.S. Treasury Department will defer tax filings and payments without interest or penalties for all individuals and businesses negatively impacted to provide additional liquidity to the economy. (United States)
1.28. Modifies the loss limitation applicable to pass-through businesses and sole proprietors, so the excess business loss limits of $250,000 ($500,000 joint return) for noncorporate taxpayers beings in tax year 2021. (United States)
1.29. Financial benefits received from charitable institutions will be exempt from individual income tax. (Uzbekistan)
1.30. Individual income tax rates for individual entrepreneurs directly or indirectly engaged in the tourism sector will be reduced by 30% (to be implemented by local governments) (Uzbekistan)
1.31. The PIT return filing due date is deferred until June 1, 2020. Income earned as from 18 March until September can be deferred until after August 31, 2020. No interest or penalties will be applied on these amounts. (Canada)
1.32. Deferral of annual personal income tax until 1 November 2020 for taxpayers operating in the tourism sector, including catering, tour operating, transportation, excursion and conference services, entertainment and other persons providing services to tourists. Under normal circumstances, taxpayers have to submit their annual personal income tax return before 1 April, 2020. This payment deadline can now be extended. In order to apply for the PIT deferral, the taxpayer has to file a request to the tax authorities, upon which the tax authorities will extend the deadline of the payment of PIT until 1 November 2020. In addition, the payment of the withholding taxes on income earned over the same period are deferred as

well, following the same time schedule as described above for the PIT liabilities themselves. (Georgia)

2. Measure to enhance household cash-flow

1.1 Accelerated personal income tax refund for self-employed (in April 2020 instead of May 2020). (Chile)

1.2 Advanced personal income tax refund for self-employed of PIT amounts withheld in January and February 2020 (rate of 10.75%). (Chile)

1.3 Tax relief. Individuals and businesses that have difficulties to comply with their tax obligations can set up installment arrangements. Alternatively, application for a write-off due to serious hardship can be made when businesses and individuals know they won't be able to pay the full amount.
The provisional tax threshold increases from $2,000 to $5,000. (Cook Islands)

1.4 Personal income tax can be deferred for a period of up to 3 months with possible prolongation on additional 3 months. (Croatia)

1.5 Special arrangements to support taxpayers who are currently included in the scheme regulating the settlement of overdue taxes. (Cyprus)

1.6 Waiver of personal income tax advance payments due in June 2020 (Czech Republic)

1.7 The payment of advance payments of income tax (anticipos) may be paid in 3 installments immediately after the emergency period. (Dominican Republic)

1.8 Exemption for manufacturing workers from income tax. The workers in scope are those who make 200 million rupiah or less a year. (Indonesia)

1.9 Employees can defer health insurance, tax and utility bill payments for the next three months, while the 3 million poorest Iranians will receive an additional cash subsidy starting from March 17 (Iran)

1.10 Payment of income tax for individuals and SMEs delayed from late March to late June 2020. (Peru)

1.11 Accelerated devolution of excess payments from personal income tax from the fiscal period 2019 to guarantee liquidity to households. (Peru)

1.12 The Government will provide a tax subsidy of up to R500 per month for the next four months for those private sector employees earning below R6,500 under the Employment Tax Incentive. This will help over 4 million workers. (South Africa)

1.13 Waives the 10% early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts for corona virus-related purposes made on or after 1 January 2020. In addition, income attributable to such distributions would be subject to tax over three years, and the taxpayer may re-contribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. Further, the provision provides flexibility for loans from certain retirement plans for corona virus-related relief. (United States)

1.14 Enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The $5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before 1 January 2021. (United States)

3. **Tax policy to support employment:**

3.1. Introduction of a 100% tax relief for persons earning a gross monthly income of up to KES 24,000. (Kenya)

3.2. Reduction in the top income tax rate for resident individuals (pay as you earn) from 30% to 25%. (Kenya)

3.3. Companies that had to stop economic activities following the decision of the government, and who have kept workers on their payroll, will be refunded 100% for the individual income tax withheld on the salaries and social security contributions paid. (Moldova)

3.4. Companies that stopped their economic activities, either partly or fully, but this was not based on a government decision, and who have kept their workers on their payroll, will be refunded for 60% of the individual income tax withheld and social security contributions paid. (Moldova)

4. Tax policy – support consumption

4.1. Wage and salary income earners are allowed income deduction equivalent to 15% of credit expenditure and 30% of debit card and cash receipt expenditure exceeding 25% of total salaries and wages. The income deduction rate applied on expenditure from March to June 2020 will be temporarily doubled.
- deduction rates
- (credit card expenditure) 15% → 30%
- (debit card, cash receipt expenditure) 30% → 60%
- (traditional market, public transport) 40% → 80% (Korea)

4.2. The Corona virus Aid, Relief, and Economic Security Act (CARES) provides all U.S. residents who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for a $1,200 ($2,400 joint return) rebate. In addition, they are eligible for an additional $500 per child under age 17. The credit phases out at 5% of adjusted gross income in excess of $75,000 ($150,000 joint return). Those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits, are eligible for the rebates. (United States)

5. Measure to support health system

5.1. Special allowances will be given to medical personnel and immigration staff. (Malaysia)
5.2. PIT exemptions for bonuses and subsidies paid to medical staff working in combatting COVID-19. (People's Republic of China)
5.3. This section would allow a high-deductible health plan (HDHP) with a health savings account (HAS) to cover tele-health services prior to a patient reaching the deductible, increasing access for patients who may have the COVID-19 virus and protecting other patients from potential exposure. (United States)
5.4. This section would allow patients to use funds in HSAs and Flexible Spending Accounts for the purchase of over-the-counter medical products, including those needed in quarantine and social distancing, without a prescription from a physician. (United States)

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