



COVID-19

Guide to Government Measures in the CEE Region

December 2020



BDO cares

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COVID-19

Since the beginning of the Covid-19 pandemic, BDO supports companies intensively with respect to the measures passed by the governments in order to help them continue their business activities, keep their employees and ensure their liquidity.

We are aware that especially for the international companies it is difficult to keep track of the relevant regulations and measures passed in different countries. It is thus the aim of this guide to provide an overview of the most relevant measures regarding Covid-19 in Central and East Europe and help you navigate your way out of this crisis in the most efficient way.

Our specialists in each country of the BDO CEE Regional Initiative are at your disposal to support you with relevant information and advice during this challenging period.

AUSTRIA

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OVERVIEW OF GOVERNMENT MEASURES IN AUSTRIA

Extract of measures:

- ▶ Guarantees and direct credits, to ensure the rapid solvency of companies
- ▶ Measures to reduce liquidity shortages
- ▶ Direct grants for covering direct costs (Phase I and Phase II)
- ▶ Hardship funds for one-person companies, micro enterprises, new self-employed persons, freelancers
- ▶ AWS Covid-19 Investment premium, to encourage companies to invest in fixed assets during and after Covid-19 crisis
- ▶ Deferred payments (tax, social security etc.)
- ▶ Measures relating to annual deadlines
- ▶ Corona short-time work model (Phase I, II, III and Lockdown 2)
- ▶ Revenue compensation for Austrian companies directly affected by the Covid-19 safety measures
- ▶ Special care leave until the end of the school year 2020/2021

For detailed information please find our guidelines for Austria in our Covid-19 corner:

<https://www.bdo.at/de-at/services/advisory-de/risk-resilience/covid-19-handbuch-zu-den-maßnahmen-der-regierung>

- ▶ The experts of BDO Austria inform you and are happy to help you with all application processes.



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OVERVIEW OF GOVERNMENT MEASURES IN BULGARIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ The grants for micro and small enterprises in the amount of BGN 173 (EUR 88,5) million
- ▶ The grants for large enterprises in the amount of around BGN 1,500 (EUR 770) million
- ▶ Investments with an average value of BGN 800 (EUR 410) thousand through equity instruments in four venture capital funds. Total budget: BGN 150 (EUR 77) million
- ▶ Facilitated access to financing, improved credit parameters (preferential terms and conditions for crediting), reduced requirements to the collateral and a fast approval procedure for micro and small is financially secured with BGN 500 (EUR 255) million to guarantee up to BGN 2 (EUR 1) billion in working capital loans
- ▶ Financial support for projects relevant to urban development with a total budget of BGN 418 (EUR 214) million
- ▶ Further financial and other supports to self-insured and self-employed persons as well as farmers and stock breeders

GENERAL MEASURES

Measures in support of persons deprived of the opportunity to work (Bulgarian Development Bank)

Interest-free loans up to BGN 4,500 (EUR 2,300) for persons under an employment contract and self-insured persons, without fees, commissions and penalties on loans.

Total budget: BGN 200 (EUR 102) million

State aid for local trade chains offering greenhouse products

- ▶ Financial resources in the amount of BGN 5 (EUR 2.5) million to support local retail chains that will offer greenhouse vegetables to the end user

State aid for the purchase of animals

- ▶ The total budget of the aid amounts to BGN 3.5 (EUR 1.8) million

Short-term credit lines for fruit and vegetable producers

- ▶ Short-term credit lines for the producers of fruits and vegetables with a total resource of BGN 30 (EUR 15) million, incl. BGN 5 (EUR 2.5) million for the producers of greenhouse products

Temporary aid for the private storage of certain cheese types

- ▶ Aid with storage of certain types of cheese

FINANCING MEASURES

Development Bank programme for portfolio guarantees to support SME liquidity

Providing unsecured working capital loans up to BGN 300 (EUR 150) thousand, based on portfolio guarantees from Bulgarian Development Bank to commercial banks to provide liquidity for SME to overcome the negative economic consequences of Covid-19. The implementation of the programme is financially secured with BGN 500 (EUR 250) million to guarantee up to BGN 2 (EUR 1) billion in working capital loans.

Fund of funds

Micro loans for self-employed persons and small startup enterprises

- ▶ Financing with up to BGN 50 (EUR 25) thousand for investment and working capital in the form of long-term loans up to a maximum of ten years. The terms of the loans are relaxed, with interest rates significantly below the market value, with the possibility of a grace period of up to 24 months and with collateral requirements or in some cases without collateral. Total budget: BGN 24 (EUR 12) million.

Liquidity subsidy lending for SME

- ▶ Loans to SME through partner banks of the Fund of Funds amounting to BGN 3.6 (EUR 1.8) million, mainly for working capital, with the possibility of providing long-term investment loans up to a maximum of ten years. Total amount of guarantees amounts to BGN 170 (EUR 90) million for securing new loans in the amount of up to BGN 850 (EUR 435) million.

Fund for investment in startup and innovative companies

- ▶ Investments with an average value of BGN 800 (EUR 410) thousand through equity instruments in four venture capital funds. Total budget: BGN 150 (EUR 77) million.
- ▶ Start-up and fast-growing companies active in key areas of innovation, digitalisation and technology, such as bio and nanotechnology, mechatronics and robotics, clean and information technology, pharmacy, fintech, etc. The aim is to support innovative companies with high added value and the potential to help the economy recover quickly after the crisis.

Portfolio guarantees for SME liquidity support (European investment fund / jeremy)

- ▶ Total product budget: From BGN 160 (EUR 80) million, with the possibility to support a portfolio of new loans in the amount of up to BGN 500 (EUR 250) million, reaching BGN 880 (EUR 450) million.

GRANTS

60/40 measure is available for all enterprise sizes

- ▶ Short-term tool for urgent business support to maintain employment and ensure the income of employees. Provided resource for the measure is BGN 1,500 (EUR 767) million.
- ▶ The state covers 60% of the insurance income of the workers and of the insurance contributions due by the insurer

Grant support for micro, small and medium enterprises with the total budget of BGN 173 (EUR 88) million

- ▶ Micro and small enterprises with a staff of up to 50 employees, which have suffered a decline of at least 20% in their turnover for the month of April 2020 compared to the arithmetic average monthly turnover in 2019, with a minimum turnover of candidates of BGN 30 (EUR 15) thousand for 2019
- ▶ 100% grant support with a minimum aid amount of BGN 3 (EUR 1.5) thousand and a maximum of BGN 10 (EUR 5) thousand

SPECIAL TAX MEASURES

1. Extension of the deadline for filing corporate tax returns (Article 92 CITA)
2. Extension of the term for payment of the due corporate tax under the annual return
3. In 2020, the persons liable under CITA shall make advance payments based on the estimated tax profit for 2020, considering the following:
 - ▶ In case the annual tax return for 2019 has already been submitted, adjustments to the amount of the advance payments by 15 April and after that shall be made with the return under Art. 88 of CITA;
 - ▶ In case the annual tax return for 2019 has not been submitted by 15 April, it must be submitted by that date, filing in only the part of it in which the advance payments for 2020 are declared. Adjustments to the amount of the advance payments are made with the return under art. 88 of CITA;
 - ▶ The adjustments of the advance payments made with the return under Art. 88 of CITA, shall be utilised after submission of the return.
4. The natural persons, carrying out economic activity as traders in the sense of the Commercial Law, incl. sole traders, as well as farmers, when they have chosen to be taxed as sole traders, apply the above-described rules for advance payments.
5. Extension of the term for declaring and paying the tax on expenses under CITA, as well as the tax on revenues of budgetary enterprises, the tax on revenues from ancillary activities within the meaning of the Gambling Act and the tax on the operation of ships
6. Extension of the deadline for submission of the annual activity report (AAR)
7. Extension of the term for submission of the annual tax return of the incomes of the natural persons and PIT return (Article 50 PITA), carrying out economic activity as traders in the sense of the Commercial law, incl. sole traders, activity as farmers, when they have chosen to be taxed as sole traders, as well as for payment of the tax due by these persons under the return. There is an extension of the term for payment of the due income tax under the annual return.

CROATIA

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OVERVIEW OF GOVERNMENT MEASURES IN CROATIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Payment of VAT to be postponed until issued invoices are settled and complete or partially exempt from payment of public charges
- ▶ Government funds for preservation of the employment
- ▶ Additional time for closing and submission of an individual and consolidated non-financial reports
- ▶ Government secured business loans for liquidity and working capital with low interest rates and no collateral requirements

GENERAL MEASURES

Target groups of employers and companies include:

- ▶ Employers and companies providing accommodation and food and beverage,
- ▶ Transportation and storage,
- ▶ Manufacturing industries (textiles, clothing, footwear, leather, wood and furniture),
- ▶ Employers who are unable to perform their activities due to decisions of the Civil Protection Staff (national, county, local self-government units), and
- ▶ Other employers who can prove the impact of special circumstances.

Employers from the above stated sectors will need to describe the reasons why they are seeking government aid and support it with evidence and confirm it with a signed statement of accuracy of information and reason, which they give under criminal and material responsibility:

Some of the acceptable reasons to describe are:

- ▶ Decline in traffic,
- ▶ Cancellation of reservations, events, congresses, seminars,
- ▶ Cancellation of contract work and orders,
- ▶ Inability to deliver finished goods or contracted and paid raw materials, machinery, tools,
- ▶ The impossibility of new orders for raw materials, tools and machines necessary for work,
- ▶ The employer will also need to list the activities he has undertaken for the purpose of preserving jobs.

FINANCING MEASURES

Micro and small loans for rural development

- ▶ More favourable interest rates for micro and small loans for rural development
- ▶ Interest rates lowered from 0.5 - 1.0% to 0.1% - 0.25%

Micro loan for rural development for working capital

- ▶ Instrument for working capital for rural development with an interest rate of 0.5%
- ▶ Target group: Micro and small business entities, subject to the conditions prescribed by the EAFRD measures eligible for funding under this instrument
- ▶ Amount of loan: From EUR 1,000 to EUR 25,000 in HRK equivalent at the CNB middle exchange rate on the date of application
- ▶ Purpose of the loan: Working capital
- ▶ Minimum repayment period: 12 months
- ▶ Maximum repayment period: 3 years
- ▶ Interest rate: 0.5%
- ▶ Grace period: Up to 12 months, if the repayment period is at least 2 years
- ▶ Collateral: Promissory note, other security instruments risk assessment
- ▶ The scope of the export guarantee fund at HBOR is to be expanded to include the tourism sector and economic entities that indirectly export by the fact that they are suppliers of direct exporters

Covid-19 loan for working capital

- ▶ Target group: Micro, small and medium-sized business entities
- ▶ Loan amount: Up to HRK 750 (EUR 100) thousand
- ▶ Purpose of the loan: Working capital
- ▶ Maximum repayment period: Up to 5 years including grace period
- ▶ Interest rate: 0.25%
- ▶ Request processing fee: 0%
- ▶ Duration: Up to 6 months
- ▶ Grace period: Up to 12 months, if the repayment period is at least 2 years
- ▶ Collateral: Promissory note
- ▶ It is proposed to introduce a stand still arrangement by commercial banks, i.e. to suspend forced collection measures against all debtors for a period of next three months, during which time regular interest, i.e. legal interest, is still calculated.
- ▶ HAMAG-BICRO prolongs a moratorium on all instalments of ESIF Micro and Small Loans and Micro and Small Loans for Rural Development until 31 December 2020

SPECIAL TAX REGULATIONS

- ▶ All taxpayers whose businesses are suspended or distressed will be completely or partially exempt from payment of public charges which are due during April, May and June 2020
- ▶ Payment of VAT can be postponed until issued invoices are settled
- ▶ Deadline for submission of the tax returns, forms and reports related to the annual reporting will be postponed - possibility of postponement of other deadlines during the epidemic is prescribed
- ▶ Instead of payment of import VAT, declaring the liability in the VAT return can be prescribed - no actual payment
- ▶ Regulation of VAT liability related to donations during the special circumstances is enabled
- ▶ Amount of the aid related to Covid-19 pandemic from the Croatian Employment Agency for preservation of the employment amounts to HRK 4,000 (EUR 530) per employee; Employers benefiting from the aid of the Croatian Employment Agency will be exempt from obligatory contributions related to these salaries

The proposed amendments to the Accounting Act will enable the Minister of Finance to extend deadlines for:

- ▶ Submission of an individual and consolidated non-financial report
- ▶ Submission to the Financial Agency individual and consolidated annual financial reports with the accompanying audit report for the public disclosure
- ▶ Submission of statement of inactivity
- ▶ Submission of financial information for statistical and other purposes
- ▶ In order to maintain the company's liquidity, the Ministry of Finance prolonged an interest-free deferral of payment and / or instalment payment of tax liabilities incurred during and due to special circumstances till 30/9/2020
- ▶ Instalment payment of tax liabilities will be prescribed in situations of necessary stabilisation of operations after the cessation of extraordinary circumstances and will also be settled without interest. The idea is to introduce such a measure permanently in the system through changes in the law, so that it can be activated in any circumstances that may affect the payment of tax liabilities in the future. Payment of VAT can be postponed until issued invoices are settled.

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OVERVIEW OF GOVERNMENT MEASURES IN THE CZECH REPUBLIC

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Reimbursement support for personnel costs
- ▶ Financial support for self-employed, shareholders of small s.r.o. (Ltd.) and employees with special working agreement
- ▶ Waiver/defer in tax prepayment and payments
- ▶ Introduction of tax loss carry-back
- ▶ Abolishment of real estate acquisition tax

GENERAL MEASURES

A state of emergency was declared

- ▶ From 12 March until 17 May
- ▶ From 5 October until 12 December

Measures introduced by the Czech National Bank to support the economy

- ▶ Cutting all key interest rates
 - Two-week repo rate down to 0.25%; Lombard rate 1%; Discount rate 0.05%
- ▶ Calling on banks to withhold dividend payments or refrain from other steps which might jeopardise their capital resilience
- ▶ Increasing the weekly number of monetary operations to provide liquidity to banks

General measures and restrictions (rapidly changing) e.g.

- ▶ Obligation to wear face masks in all indoor spaces and selected public places (public transport, overcrowded areas, vehicles if travelling with people from different households)
- ▶ Being outdoors between 11pm - 5 am is banned (exceptions: work, business activities, urgent cases...)
- ▶ Restaurants and facilities for physical activities are closed
- ▶ Restrictions on the opening hours of shops (restricted hours and closed on Sundays), limitation of customers present inside of a shop (1 person per 15 m²)
- ▶ Most of the events are forbidden or without spectators/visitors
- ▶ Obligatory distant learning for some schools

FINANCING MEASURES

Measures for employers and individuals

Short-time work - Antivirus Program

- ▶ Program A and B (March to December) - the Government reimbursed part of the personnel costs to employers affected by Covid-19
- ▶ *Program C (June to August) - waiver of social security contributions of employers with up to 50 employees

Re-introduction of nursing allowance (taking care of a child at home due to schools being closed)

- ▶ Employees with employment contracts or agreements - minimum of CZK 400 (EUR 15.3) for a full-time employee
- ▶ Self-employed - CZK 400 (EUR 15.3) per day

Direct financial support (compensation) for persons affected by Covid-19 or respective Government measures - re-introduction of the financial support

- ▶ During the state of emergency - CZK 500 (EUR 19.12) per day
- ▶ Persons with predominant activities affected by the restrictions or persons significantly (80%) tied to affected businesses may apply for the compensation
- ▶ Self-employed persons, shareholders of small s.r.o. (Ltd.), employees working based on special type of working agreement

*Waiver of minimum social security and health insurance payments for self-employed persons

- ▶ Waiver of obligatory prepayments for March-August
- ▶ Decrease of annual contributions for 2020 by the equivalent of 6 months minimum contributions

*These measures are no longer valid, but they could be reintroduced.

FINANCING MEASURES

- ▶ **Covid Loan Programmes** (operational expenditure) - Czech-Moravian Guarantee and Development Bank will provide guarantees for operating loans of entrepreneurs (self-employed and companies) with up to 500 employees from commercial banks. Guarantee of the loan may not exceed CZK 50 (EUR 1.91) million
- ▶ **Support of the Czech Export Bank and EGAP insurance** - Offers financial products and services on advantageous terms which will support the export of Czech goods abroad and deferral of principal payments in relation to loans provided by CEB. Loan guarantees up to CZK 142 (EUR 5.43)
 - ▶ Banks and non-bank lenders allow **individual solutions** for impossibility to repay a **loan or a mortgage**.
 - ▶ **Rental contributions** for individuals if they do not have sufficient income for current housing
 - ▶ **Subsidy covering 50% of rents** for the 3rd quarter of 2020 for entrepreneurs who had to temporarily close their business place intended for a retail or the provision of services to customers as a consequence of protective measures adopted by the Government of the Czech Republic
 - ▶ **One-time bonus** of CZK 60,000 (EUR 2,300) for self-employed individuals in the culture sector
- ▶ **Culture Renewal Package** support from the COVID
 - ▶ Can be requested by organisers of cultural events, who had to cancel or reschedule an event between 10 March and 31 December. Up to 50% of eligible expenditure will be paid out, up to a maximum of CZK 10 (EUR 0.18) million.
 - ▶ Can be requested for conducting continuously developed cultural activities between 1 March and 31 December. Up to 80% of eligible expenditure will be paid out, up to a maximum of CZK 10 (EUR 0.18) million.
- ▶ **Support for sport events organisers** - Support for business entities organising or co-organising sports events
- ▶ **Support for championships participants** - support for operating costs of business entities that participate in professional championships of the highest or second-highest level

GRANTS

- ▶ **The Covid Accommodation programme 2 -** Accommodation providers can receive between CZK 100 (EUR 3.82) and CZK 330 (EUR 12.61) per room per night. This applies to the period from 7 September until 3 November
 - Support depends on the number of rooms, flat rate, accommodation category and number of eligible days for the subsidy; CZK 3.3 (EUR 0.13) billion are earmarked for the programme

- ▶ **The COVID Spa program -** spa facilities will be allowed to offer clients a customer discount on curative sojourns and preventive spa visits amounting to CZK 4,000 (EUR 152.96). The discount will be provided in the form of a voucher
 - CZK 1 (EUR 0.04) billion are earmarked for this programme

Support for tourism:

- ▶ **Travel bureaus -** subsidy up to 2.5% of the expected revenue; CZK 345 (EUR 13.19) million are earmarked for this programme

- ▶ **Travel agencies -** 1) CZK 500 (EUR 19.12) to cover incurred expenses from cancelled trips or spa stays; 2) lump-sum according to the revenue of 2019; possibility to utilize only one out of the two options; CZK 55 (EUR 2.1) million are earmarked for this programme

- ▶ **Tourist guides -** CZK 50 (EUR 1.91) thousand if an applicant meets educational requirements, otherwise CZK 40 (EUR 1.53) thousand; CZK 25 (EUR 0,96) million are earmarked for this programme

- ▶ All programs are in force from 2 November until 11 January

- ▶ **Innovation Vouchers Covid -** project for advisory, expert and support services
 - From CZK 50 thousand up to 1 million (EUR 1.9 to 37.5 thousand) can be obtained per project

SPECIAL TAX REGULATION

Waiver of penalties and interests, waiver of administrative fees

- ▶ In some cases automatically, in some cases upon request

Waiver/defer of tax prepayments and payments

- ▶ Only for businesses/individuals affected by restrictions
- ▶ Waiver of income tax or road tax prepayments
- ▶ Deferred payment of VAT until the end of the year
- ▶ Notification to Financial Administration (also by e-mail)

Other tax measures

- ▶ Exemption of VAT on gratuitous supplies of necessary protective equipment
- ▶ Reduction of VAT rates to 10% (e.g. draft beer, catering services, accommodation, cultural services, sport events...)
- ▶ Road tax reduction for vehicles of more than 3.5 tons

Loss carryback for companies and self-employed individuals

- ▶ Newly possible to deduct tax losses as a carryback for two years
- ▶ May be applied already in 2019 tax return using an estimate of 2020 tax loss

Abolition of real estate acquisition tax with retrospective effect

- ▶ For real estate purchased from December 2019, subject to application to be refunded

EET (electronic records of cash sales)

- ▶ Suspension of the obligation to record sales until the end of 2022

GEORGIA

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OVERVIEW OF GOVERNMENT MEASURES IN GEORGIA

- ▶ General measures
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Georgian Government made available up to GEL 4 (EUR 1.15) billion for anti-crisis economic plan. Some of the main portions of the reserve are:

- ▶ GEL 460 (EUR 133) million to fund and/or compensate employees for the loss of jobs/earnings related to the crisis
- ▶ GEL 15 (EUR 4.35) million for insuring price spikes on main food products
- ▶ GEL 200 (EUR 58) million for insuring price spikes on construction materials for infrastructural projects
- ▶ GEL 250 (EUR 72.46) million for state subsidy for income tax exemption for the jobs retained by employers
- ▶ GEL 600 (EUR 173.90) million for VAT surplus refunds
- ▶ GEL 300 (EUR 86.96) million for credit guarantee scheme for businesses

GENERAL MEASURES - INDUSTRY BOUND ANTI-CRISIS MEASURES

Tourism

Tourism and leisure, one of the rapidly growing industries in the country accounted for 11.5% of GDP before the Covid-19 crisis, having created 150,000 jobs and received up to 9.4 million visitors in 2019.

The government opted to draw a specific revival plan for this industry and laid out significant support in view of taxation, funding, infrastructural development and more:

- ▶ Abolished property tax for the year 2019 to be reported in 2020
 - ▶ Taxpayers are allowed to postpone payments of personal income tax until the end of 2020
-
- ▶ Dedicated support for hotel & leisure
 - Opportunity to seek for bank loan restructuring
 - Subsidies for bank loans
 - Subsidies on co-participation fees for international tourism fairs
-
- ▶ Dedicated support for travel agencies and tour guides
 - ▶ Supporting the introduction and implementation of UNWTO recommendations

GENERAL MEASURES - INDUSTRY BOUND ANTI-CRISIS MEASURES

Agribusiness

- ▶ Subsidies and co-financing for small farmers - GEL 37 (EUR 11) million, also direct and sectoral support of farmers
- ▶ Cancelled irrigation service fees and discount on diesel fuel
- ▶ 50% grants for agricultural production and irrigation systems - GEL 23 (EUR 6.7) million
- ▶ Convenient co-financing conditions from banks for fixed assets, leases, working capital and promotion - GEL 74 (EUR 21.5) million
- ▶ Co-financing for implementation of international standards for beneficiaries of state agricultural programme
- ▶ A 3-year agri insurance for perennial crops - GEL 9 (EUR 2.6) million
- ▶ Improving inventory developing infrastructure for local dairy farms - GEL 42 (EUR 12.2) million
- ▶ 70% - 90% co-financing grants for cooperatives for hone and milk processing enterprises, viticulture and dairy sector

Construction and development sector

- ▶ State subsidies on mortgage loan interest - GEL 70 (EUR 20.3) million
- ▶ Underwriting of mortgage loans and provision of respective guarantees - GEL 14 (EUR 4) million
- ▶ Underwriting the construction of residential real estate projects - GEL 200 (EUR 58) million
- ▶ State acquisition of residential units for IDP households - GEL 150 (EUR 43.5) million

FINANCING MEASURES

Instruments to support commercial banks and entrepreneurs

- ▶ Commercial Banks to be provided with GEL 600 (EUR 174) million in long-term resources
- ▶ GEL 500 (EUR 145) million to be allocated to support business:
 - Credit portfolios of GEL 2 billion (EUR 580 million) to be issued with guarantees
 - Guarantees on new loans - 90%, on restructuring - 30%

- ▶ The state programme 'Produce in Georgia' co-financing conditions:

- Increasing the period of co-financing of loans/leasing from 24 to 36 months
- Changing the mechanism of interest co-financing
- More types of activities
- Lowering the minimum threshold for loans/leasing
- Increasing funding for circulating assets

All legal entities are given the opportunity to restructure their loans.

GRANTS

Guarantees, credit and grants

- ▶ Caring for agriculture and regional development
 - Grants up to GEL 30,000 (EUR 8,695)
 - Agri-credit - financing annual crops

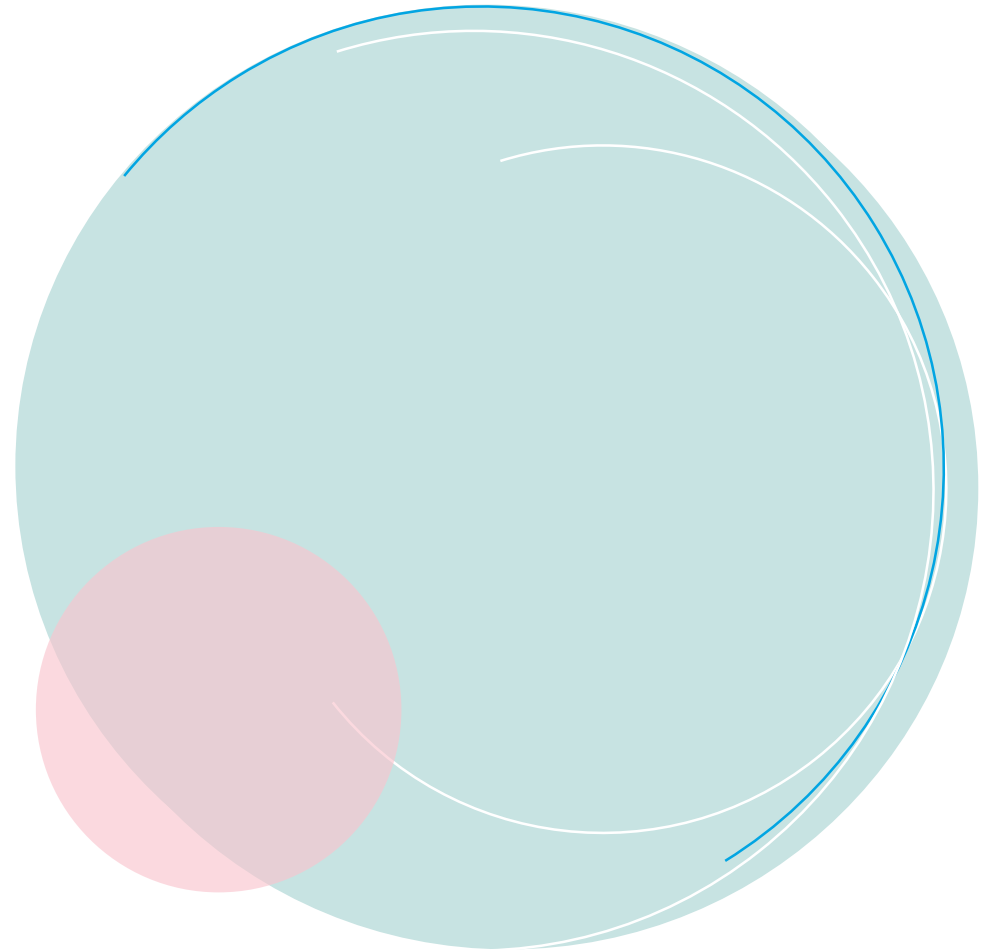
- ▶ Supporting amelioration activities:
 - Full exemption from amelioration fees for 2020
 - Fully writing off debts accumulated in previous years

SPECIAL TAX REGULATION

- ▶ Based on decision of the Ministry of Finance and Revenue Service, business entities are allowed to postpone payments of personal income tax and property tax until 1 January 2021.

This benefit is related to the following tax returns:

- Tax return of withholding tax (WHT)
 - Annual PIT return
 - Annual Property tax return
-
- ▶ The automatic VAT refund mechanism to come into force and VAT surplus refunds to be doubled - approximately GEL 600 (EUR 174) million additional funds to be received by businesses in 2020



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OVERVIEW OF GOVERNMENT MEASURES IN HUNGARY

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- ▶ The Hungarian Government allocates more than HUF 8,000 (EUR 23) million for the protection against coronavirus. The money is used on the instructions of the Coronavirus Operational Group.
- ▶ A moratorium was introduced on repayment of corporate and retail loans
- ▶ Law amendments makes it easier to take flexible work time arrangements by employers
- ▶ The social contribution payment is suspended

GENERAL MEASURES

General measures

- ▶ Contactless payment limit raised to HUF 15,000 (EUR 44) entered into force on 25 March 2020
- ▶ Wage subsidy for employees engaged in research and development, effective from 15 April
- ▶ The Central Bank of Hungary increased the interest rate of the one week an O/N collateralised loans from 0.9% to 1.85%

The five point economy protection plan

1. Focuses on preserving jobs: the Government will, among other measures, take over a portion of wage payments from firms that had to resort to shortened working hours due to the coronavirus pandemic
2. The Government will devote HUF 450 (EUR 1.23) billion in investments for job creation
3. Provision of support for hard-hit economic sectors, such as tourism and hospitality
4. Provision of HUF 2,000 (EUR 5.8) billion worth of preferential, government-backed loans available to Hungarian companies
5. Family and Pensioner Protection Programme - Gradual reintroduction of the 13th month pensions by the Government

Tax rebates

The social contribution payment obligation for companies providing the most affected business activities (catering services, accommodation services, transport services, etc.) is suspended. These companies have no obligation to pay a vocational training contribution and small business tax base is not required considering the amount of personal payments.

GENERAL MEASURES

Deferred payments

- ▶ The moratorium on the instalment of loans, i.e. a delay of payment, is a precautionary restructuring, which helps resolve the temporary difficulties of debtors. The moratorium is valid for capital and interest payment as well. The general moratorium is in force until the end of 2020. However, under the law passed by Parliament, some key social groups have additional 6 months to stabilise their financial situation. For them, the moratorium on loan repayment will be extended until 30 June 2021. According to the adopted bill, from January 2021 only those belonging to the following social groups can remain under the moratorium until 30 June:
 - ▶ Persons raising at least one child,
 - ▶ Job seekers,
 - ▶ Pensioners,
 - ▶ Public sector employees (participants in a public works program)
 - ▶ Or persons involved in private bankruptcy proceedings.Businesses in financial difficulty will also be able to remain in the moratorium, and those who participate in the National Asset Management Program will be granted a deferral until 30 June.
- ▶ Short-term loans for companies are prolonged
- ▶ Upon the expiry of the moratorium, the customers will have to pay the unpaid instalments, i.e. overall, the measure provides no exemption from the debt obligations
- ▶ The Board of Directors of the Student Loan Center has decided to extend the general loan repayment moratorium on 19 March 2020 until 30 June 2021. The moratorium also applies to customers who are already in the repayment phase and will enter the repayment phase during the first half of 2021 for all student loan products.

GENERAL MEASURES

Corona short-time work model

- ▶ The Hungarian State undertakes to subsidise 70% of employees' unpaid salary (subject to certain conditions) for three months provided the employer employs the employees in reduced working time instead of making them redundant, and agrees to maintain the employment of the subsidised employee for a certain period. Employers can apply for the State subsidy and the new rules apply retroactively for the current procedures in place.
 - ▶ The State subsidy is not available during unpaid leave, and in case of "employment different from the employment agreement". However, the subsidy can be applied for in the case of telework and home office.
 - ▶ A reduction in working time of between 15% and 75% is possible. If the reduced working time exceeds half of the working time being in effect before the modification, during 30% of the reduction in working time, so-called "individual development time", the employee must perform some sort of "development" related to his/her position or the employer's business activity (e.g., complete trainings).
 - ▶ However, the employee is not obliged to perform work during this period. Individual development time can be scheduled for the duration of the subsidy, or any time within two years after that. If the reduced working time does not exceed half of the working time being in effect before the modification, the parties can but are not obliged to agree on "individual development time".
- ▶ Importantly, the employer and the employee must - or with the above exceptions can - agree on both the reduced working time and the "individual development time", meaning that the employer cannot reduce the working time unilaterally. This does not necessarily mean that the employment agreement has to be amended, because according to the Governmental Decree - to reduce the administrative burden - the administrative body's decision on awarding the State subsidy amends the employment agreement for the duration of the subsidy with regard to the reduced working time and the "individual development time".
 - ▶ The basis for calculating the State subsidy is the employee's monthly net base salary effective on the date of filing the application. The amount of the State subsidy is 70% of the proportionate base salary due for the reduction in working time subject to the below restrictions.
 - ▶ The amount of monthly net base salary that can be considered for the State subsidy is equal to twice the minimum net salary in Hungary (currently HUF 214,130). The subsidy is granted for a period of three months. The State subsidy is tax free for the employee, and only the salary due for the reduced working time and the "individual development time", as well as the relevant social security contributions, must be paid by the employer.

FINANCIAL MEASURES AND GRANTS

Which instruments can companies already use to overcome economic difficulties and secure their liquidity?

- ▶ Loans delivered from 19 March may have a maximum 5% above the Hungarian National Bank's interest rate (0.9%).
- ▶ The Government will help agricultural and food enterprises to overcome the economic difficulties caused by the coronavirus with HUF 25 billion (EUR 72.5 million). The programme may be implemented through an increase in the amount of existing support schemes in some sectors and through new transitional support programmes in other sectors. In the first round, HUF 3,120 (EUR 8.6) million was paid to a total of 13,000 horticultural farmers, beekeepers and dairy farmers.
- ▶ The HUF 700 (EUR 2) million tender has been published, which supports the organisers of light music festivals with more than 500 participants, which were delayed due to the coronavirus epidemic or implemented with a significantly reduced program.
- ▶ 4 new loans in the Szechenyi Card Programme to strengthen businesses and protect jobs.
- ▶ About a hundred companies submitted applications for investment support. The government has previously opened a subsidy option for Hungarian companies to protect jobs, as part of which, if companies make investments to protect their jobs, half of the investment will be provided by the government from the budget.
- ▶ The support programs protect more than half a million jobs, while investment support and job creation programs can support the creation of more than 70,000 jobs.
- ▶ The Ministry of Finance is launching a program with a budget of HUF 50 (EUR 0.14) billion to support the investments and developments of domestic enterprises that can play a role in strengthening the domestic health industry. The smallest eligible project size is HUF 400 (EUR 1) million. In the case of investments, at least half of the eligible costs may be spent on the purchase of machinery and equipment, while the proportion of infrastructure and real estate investments may not exceed 50 percent of the eligible costs.
- ▶ The government places special emphasis on relaunching the tourism sector. Businesses and municipally owned companies in the Pest County can now apply for support in the total amount of HUF 1,800 (EUR 5) million, each amounting between HUF 60 (EUR 0.16) million and HUF 300 (EUR 0.82) million, within the framework of the program, from which it is possible to build new boarding houses and acquire equipment, IT and infrastructure investments.
- ▶ Effectiveness increasing programme for SMEs by initiating high-tech and green developments has been approved. The only condition of the subsidy is that the beneficiary company has to keep 90% of the headcount of the employees it had in April 2020. Size of the envelope is HUF 50 (EUR 0.14) billion. Requests amounting to more than HUF 128.1 (EUR 0.36) billion were received. On 11 June it was decided to increase the budget by another HUF 50 (EUR 0.14) billion. Aid intensity: 70%
- ▶ The Monetary Council has decided on the „Funding for Growth GO!” Program (NHP) an increase of HUF 1,000 (EUR 2.8) billion.

FINANCIAL MEASURES AND GRANTS

Guarantees and direct credit

- ▶ Nearly HUF 2,000 (EUR 5.6) billion in preferential loans have been introduced and a state guarantee worth more than HUF 500 (EUR 1.4) billion was added (Széchenyi Job Retention Loan, Eximbank's Compensation Loan Programme, MFB's Competitiveness Loan Programme, Agricultural Széchenyi Card, Garantiqa Crisis Guarantee Programme). The government restructured part of the funds of Széchenyi Capital Fund Manager, Hiventures and Eximbank to protect domestic companies. New funds have also been launched: the Restructuring Sub-Fund is helping strategy firms in difficulty, and the Transaction Sub-Fund is enabling corporate and real estate acquisitions at home and abroad.

Direct grants

- ▶ The European Commission has approved a HUF 50,000 (approximately EUR 140) million Hungarian aid scheme to support the Hungarian economy in the context of the coronavirus outbreak.
- ▶ The public support, which will take the form of direct grants, will be accessible to medium and large enterprises, which are particularly hit by the economic consequences of the coronavirus outbreak and which are active in certain sectors defined by Hungary.
- ▶ The scheme aims at supporting companies that face difficulties due to loss of income and liquidity resulting from the economic impact of the coronavirus outbreak. In particular, it will help businesses to cover their immediate working capital or investment needs.

SPECIAL TAX REGULATIONS

1. Regulation for taxi drivers

- ▶ Taxi drivers subject to the KATA tax system are exempt from tax

2. Contribution to the development of tourism

- ▶ Contribution to the development of tourism (a sort of tax) is suspended
- ▶ Additional tax measures will help the tourism sector: guests will not have to pay tourist tax until 31 December 2020

3. New special tax of credit institutions

- ▶ The rate of tax is 0.19% of the part of the tax base exceeding HUF 50 (EUR 0.14) billion

4. Small business tax regulation

- ▶ The small business tax rate will decrease by one percentage point from 12 percent to 11 percent from 1 January 2021
- ▶ The minimum tax base is suspended (i.e. the tax base for small business tax should not include the amount of staff costs). This rule applies to those small taxpayers who carry out the specific business activities defined by the Government regulation (i.e. catering services, accommodation service, transport services, etc.).

5. Online web-shops could become taxable entities

- ▶ As a result of the Government's decisions, popular online web-shops could become taxable entities during the period of the pandemic
- ▶ The additional tax rates are determined as follows:
 - For the part of the tax base exceeding HUF 500 (EUR 1.5) million, but not exceeding HUF 30 (EUR 0.1) billion: the tax rate is 0.1%
 - For the part of the tax base exceeding HUF 30 (0.1) billion, but not exceeding HUF 100 (EUR 0.3) billion: 0.4%
 - For the part of the tax base exceeding HUF 100 (EUR 0.3) billion: 2.5%

6. Social contribution tax

- ▶ From 1 July, the rate of the social contribution tax will be reduced by 2 percentage points - from 17.5% to 15.5%

7. SZÉP card

- ▶ Benefits on the SZÉP card: by 30 June 2020 the current tax burden will fall from 32.5% to 15%. The amount that can be spent is almost doubled.

SPECIAL TAX REGULATIONS

8. The development reserve may be deducted

- ▶ The development reserve of incorporated enterprises may be deducted with respect to the full extent (previously 50%) of the enterprise's pre-tax profit. The maximum value of the reserve is HUF 10,000 (EUR 30) million. The measure allows companies to receive even an entire corporate tax exemption on earnings to be reinvested in the future.

9. Upper rate of bank levy

- ▶ In 2020 the upper rate of bank levy in case of credit institutions had been raised to 0.39% to mitigate the negative budgetary effect of the coronavirus pandemic. This one-off revenue from the increased tax contributes to the Emergency Fund against coronavirus. This measure remains in force for 2020 only.

10. Deferral of tax payment

- ▶ Individuals and sole proprietors severely affected by the pandemic may apply for deferral of tax payment for up to 6 months, payment in instalments for up to 12 months or even a tax reduction of any taxes for 20% of the tax debt up to HUF 5,000 (EUR 14) thousand. The tax reduction can be requested in respect of only one tax type and it cannot be combined with other payment allowances.

11. Regulation for delivered food

- ▶ VAT on delivered food will be reduced to 5% from the previous 27% for the transitional period during which restaurants are closed

MOLDOVA

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OVERVIEW OF GOVERNMENT MEASURES IN MOLDOVA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

As of 25 April and 14 July, the State Budget was modified, by introducing / amending the following funds:

- ▶ For subsidising enterprises and non-commercial organisations that have established technical and/or stationary unemployment during the state of emergency and subsidising the amount of compulsory state social insurance contributions - in the amount of MDL 320,000 (EUR 16,493) thousand
- ▶ For subsidising the interests - in the amount of MDL 90,000 (EUR 4,638) thousand
- ▶ For support the unemployed during the state of emergency - MDL 168 (EUR 8,5) million
- ▶ For social assistance of citizens during the state of emergency - MDL 201.9 (EUR 10.2) million
- ▶ Increase by MDL 71 (EUR 3.6) million of the Population Support Fund
- ▶ Allowances for the health sector, in the amount of around MDL 1,100.3 (EUR 55.7) million
- ▶ Reductions of the public authorities' expenditures in the amount of around MDL 506.8 (EUR 15.6) million

GENERAL MEASURES

Fiscal and economic measures

- ▶ The taxes subsidy mechanism was extended, after 16 May 2020, up to 30 September 2020:

Exemption in the amount of 100%/60% of the taxes and duties on the salary paid to the employees, to the employers (enterprises and NGOs) forced to stop their activity, due to the anti-epidemic restrictions imposed by the authorities. Enterprises which stopped all or part of their activity under the decisions of the National Extraordinary Public Health Commission and/or Commission for Exceptional Situations, shall receive a subsidy amounting to 100% of the paid amount of income tax, of the social insurance contributions, compulsory state payments due by the employer, the individual compulsory state social insurance contributions and the compulsory health insurance premiums in the form of a percentage contribution due by the employer and the employee related to the allowance/salary granted to employees in technical and/or stationary unemployment. Other companies that stopped all or part of their activity during the state of emergency, shall receive a subsidy amounting to 60% of the paid amount of the same taxes/contributions.

- ▶ Reduction of the VAT rate from 20% to 15% for the HORECA sector

FINANCING MEASURES AND GRANTS

Interest subsidy program

- ▶ Beneficiaries of the interest subsidy financing program are the enterprises that contracted/contract loans between 1 May 2020 - 31 December 2020
- ▶ The amount of the monthly subsidy for beneficiaries is the amount of the monthly interest paid for loans under the interest subsidy program. The maximum amount of the loan or credits for which the subsidy is granted represents the cumulative sum of the salary payments declared by the beneficiaries to the State Tax Service for the following months: December 2019, January 2020 and February 2020 (hereinafter the cumulative amount of the salary payments).
- ▶ The maximum annual nominal interest rate due to be subsidised is 8.76% in national currency and 4.40% in foreign currency. The payment of the subsidy is made based on the request of the subject of the subsidy submitted to the State Tax Service. The application shall be submitted by the end of the month following that in which the interest is paid.

Other financial measures:

- ▶ Offering the possibility to commercial banks to reschedule mortgage credits for individuals up to 31 July 2020.
- ▶ Offering the possibility to non-bank lending organisations (microfinance organisations) to lower interest rates by at least 5% and to provide facilities for the payment of loans.
- ▶ EUR 30 million will be allocated for financing of micro, small and medium enterprises, affected by the crisis

SPECIAL TAX REGULATIONS

VAT Refund Programme

- ▶ Beneficiaries are businesses that are registered as VAT taxpayers and which record amounts of VAT for deduction in the subsequent period. The amount of refunded VAT will be the smaller amount out of:
 - a) The VAT amount for deduction in the subsequent period, registered for the last fiscal period regarding VAT.
 - b) The income tax paid, the compulsory state social insurance contributions due by the employer, the individual compulsory state social insurance contributions and of the compulsory health insurance premiums in the form of a percentage contribution due by the employer and the employee for the fiscal period and/or the fiscal periods corresponding to the period of the VAT Refund Programme.
 - c) The calculated amount of income tax, of the compulsory state social insurance contributions due by the employer, of the individual compulsory state social insurance contributions and of the compulsory health insurance premiums in the form of a percentage contribution due by the employer and the employee for February 2020. If the amount provided for in letter b) includes several fiscal periods, the amount calculated in accordance with this letter shall be multiplied by the number of corresponding fiscal periods.
- ▶ The cumulative amount of the grant during the VAT Refund Programme will not exceed the amount of VAT for the subsequent period reflected in the VAT statements for the fiscal period of December 2019

NORTH MACEDONIA

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OVERVIEW OF GOVERNMENT MEASURES IN NORTH MACEDONIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Summary of socio-economic measures from the Fourth Package announced on 28.09.2020:

- ▶ Support for payment of salaries for the last quarter of 2020
- ▶ Preferential VAT rate of 10% instead of current the current of 18% for restaurant services
- ▶ Recognition of additional costs as a tax recognised expense
- ▶ Personal income tax will be abolished for expenses of employees related to training, qualifications, obtaining licenses
- ▶ Increased grace period for interest-free loans from the Development Bank of the Rep. of N. Macedonia (RBRNM)
- ▶ State credit and customs guarantee
- ▶ Grants for the activities most affected by the pandemic

GENERAL MEASURES

To support the tourism sector - Refund of the tourist tax for 2019

The entities that organised overnight stays in 2019 will be reimbursed the total amount of tourist tax collected in that year.

Grants for travel agencies.

Beneficiaries of this measure will be 500 travel agencies and its total value is EUR 1.9 million for grants from EUR 3,000 to EUR 7,000 for all travel agencies depending on the number of employees and the total turnover in 2019, and depending on whether they are holders of an A or B license.

Reduction of VAT on craft services and products from 18% to 5%.

Extension of licenses to operate discos, nightclubs and companies in the transport community.

According to the registration for work, about 120 discos and nightclubs, as well as about 7,000 transporters will have their work licenses extended in 2021 with no fee, with the transporters receiving exemption for another year, depending on when their license expires.

FINANCING MEASURES

- ▶ Support for salary payments for the last quarter of 2020. Support will be determined on a scale according to the decline in revenues of companies
 - Condition 1: The greater the decline in revenues, the greater the financial support from the state and it will range: from MKD 14,500 (EUR 233) to MKD 21,776 (EUR 350).
 - Condition 2: The companies that will apply must keep the number of employees until 31 July 2021.
- ▶ The registered tourist guides for the months of October, November and December 2020, will be paid a minimum gross salary in the amount of MKD 21,776 (EUR 350)
- ▶ Existing users of credit lines from the Development Bank of the Rep. of N. Macedonia will receive an additional 3 months grace period before starting the payment of annuities from the taken loans
- ▶ The state makes available EUR 10 million to support companies for easier access to cheap financial resources, by taking part of the credit risk. With the state guarantee of EUR 10 million, loans worth EUR 65 million will be available to the economy
- ▶ The EUR 3 million state guarantee for securing the customs debt supports the export and import and facilitates the access of raw materials for processing of the Macedonian companies in the amount of about EUR 25 million, through the Development Bank of Rep. of N. Macedonia

Additional postponement of loan repayment for companies, until the end of the year

GRANTS

Grants will be given to all restaurants registered and licensed for weddings separately in the amount of EUR 3,000 to 10,000, depending on the turnover in 2019

Continuation of the reduction of the penalty interest for public duties by half from 0.03% to 0.015% by the end of the year

Grants in the amount of EUR 1,000 to 5,000 will be provided for around 1,000 commercial children playgrounds, depending on the turnover in 2019

Reduction of import duties on raw materials as support for the most affected processing industries, and incentive for development of processing facilities.
In addition to all autonomous measures for raw materials determined on 24 December 2019, the import duties for natural gas are reduced with the final goal of achieving not only economic but also environmental effect.

SPECIAL TAX REGULATIONS

- ▶ Deferment of the payment of profit tax advances until March 2021 for companies that have a revenue decline of more than 40%
- ▶ Restaurant services and food and beverage service will be taxed at a new preferential VAT rate of 10% instead of the current regular rate of 18% effective from 1 January 2021
- ▶ Deferred payment of VAT is allowed, seven days after submitting the VAT return, without interest
- ▶ The threshold for tax exemption of taxpayers of the annual tax on total income is MKD 5 (EUR 0.08) million annually. The income framework in which taxpayers can choose to be income tax payers, i.e. the annual tax on total income between MKD 5 (0.08) and MKD 10 (EUR 0.16) million is increasing. The total income tax rate for these bonds remains at 1%.
 - ▶ Recognition of the cost of private health insurance as a tax recognised expense
 - ▶ Recognition of the cost of testing by Covid-19 as a tax recognized expense
 - ▶ Personal income tax will be abolished for expenses concerning employees related to training, qualifications, obtaining licenses, which will improve the quality of the workforce available to companies. There will be a legal limit for these expenses, e.g. one average salary per year. This measure will take effect on 1 January 2021
 - ▶ Exemption in the amount of 2/3 of the legally prescribed amount for organisers of games of chance. With this measure the organisers of the games of chance, the casinos, will pay 1/3 of the fees for AR (auto-roulette) tables and other tables.

POLAND

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OVERVIEW OF GOVERNMENT MEASURES IN POLAND

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Programmes introduced by the Polish authorities are aimed at helping entrepreneurs in: maintaining financial liquidity, including by obtaining bank loans, and maintaining employment
- ▶ Currently, the government is working on a new financial shield to help entrepreneurs in the industries most affected by the pandemic

GENERAL MEASURES

Financial subsidies and loans from the Polish Development Fund (PFR)

- ▶ PFR runs assistance programmes for large entrepreneurs. The call for applications for programmes for micro enterprises and SMEs closed on 31 July 2020.
- ▶ PFR runs 3 programmes for large entrepreneurs: liquidity financing, preferential financing and investment financing. Under liquidity and preferential financing, PFR grants subsidised loans. Preferential financing provides that the loan can be remitted up to 75%. Investment financing involves the use of capital instruments by PFR - such as shares or convertible bonds. An entrepreneur from liquidity and investment financing can receive up to PLN 1 (EUR 0.22) billion, and in the case of preferential financing - PLN 750 (EUR 165) million.
- ▶ Total budget: PLN 100 (EUR 22) billion

The government announced the possibility of remitting a higher percentage of the financial subsidy for micro enterprises and SMEs, as well as extending the duration of the program for large enterprises until March 2021. There are also plans for PFR to launch for industries most affected by the pandemic non-returnable subsidies for micro-enterprises (provided the employment level is maintained for 12 months) and non-returnable co-financing of fixed costs not covered by revenues for small and medium enterprises (provided, inter alia, maintaining the company at least until the end of 2021).

Subsidies for employee remuneration and social security contributions

- ▶ Guaranteed Employee Benefits Fund (the programme will run until the end of 2020) and local governments grant subsidies to employees' salaries and their social security contributions
- ▶ Parliament is working on a law that will introduce a new employee subsidy program for industries most affected by the pandemic

Subsidies for interest rates on loans and guarantees provided by Polish National Development Bank (BGK)

- ▶ BGK provides loan guarantees. These guarantees are intended to help in obtaining credit for entrepreneurs affected by the Covid-19 pandemic.
- ▶ The so-called „Anti-Crisis Shield” (a package of amendments to the law limiting the negative effects of the pandemic) introduced interest subsidies for loans granted by banks that have concluded an appropriate agreement with BGK.

Tax changes

- ▶ Polish special tax regulations introduced in connection with Covid-19 pandemic are focused on income tax. Several tools have been introduced, including the ‘reversed tax loss deduction’ mechanism. Entities supporting the fight with the disease will benefit in particular from investments in fixed assets used for production of sanitary products like masks, disinfectants, etc., as well as research and development investments.

Long-term loans with a guarantee

- ▶ It is planned to enable the entrepreneur to take a 6-year loan with a de minimis guarantee for entrepreneurs from the SME sector and a liquidity guarantee for large enterprises

FINANCING MEASURES

Polish Development Fund (PFR)

Financial subsidies and loans from the Polish Development Fund

- ▶ The amounts that can be obtained by large entrepreneurs depend on demand for working capital. The limits are set individually for each programme. For liquidity financing and preferential financing (which are the most popular programmes), the limits are:
 - Twice the amount of the entrepreneur's annual remuneration costs (including costs of employee benefits) for 2019; or
 - 25% of the entrepreneur's total turnover in 2019.
 - In the case of liquidity financing, the above amounts may be exceeded in exceptional circumstances.
 - In the case of preferential financing, there is a link between the loan amount and negative EBITDA.
- ▶ The interest rate on financial subsidies and loans:
 - Micro-entrepreneurs and SMEs - financial subsidies are interest-free.
 - Large entrepreneurs - as a rule, loans bear a fixed interest rate of 1.25% in the first year, 1.75% in the second and third year and 2.75% in the fourth year.
- ▶ Basic conditions for obtaining assistance (common for all programmes):
 - A decrease in economic turnover of at least 25% in any month after 1 February 2020 compared to the previous month or corresponding month last year due to disruptions in the functioning of the economy due to Covid-19 (in the case of large entrepreneurs it is possible to replace this condition with another)
 - Not being in arrears with taxes and social security contributions as at 31 December 2019 or as at the date of application, however, arrears do not mean such a situation when such taxes or contributions are divided into installments or their payment date is deferred
 - The entrepreneur must be registered in Poland and must have a tax residence in the EEA
 - The main beneficial owner of the entrepreneur may not have tax residence in tax havens
 - No open liquidation, bankruptcy or restructuring proceedings
 - Not conducting specific types of activities - including financial activities (and for large entrepreneurs - developer activity and commercial real estate activities)

FINANCING MEASURES

Act on granting public aid for rescuing or restructuring entrepreneurs

Financial measures for entrepreneurs in financial difficulty

On 11 August 2020 a law entered into force which introduces the possibility of providing financial assistance to entrepreneurs at risk of insolvency who will not be able to cope with the difficult financial situation on their own.

Financial support will be provided from the State budget by the minister in charge of the economy, who will be able to entrust the aid to the Industrial Development Agency (ARP).

The act assumes financial support at the level of PLN 120 (EUR 26.5) million per year.

Types of support for companies in financial difficulties:

1. Rescue Aid
2. Temporary Restructuring Support
3. Restructuring Aid

- ▶ **Rescue Aid**
 - Aid for all categories of entrepreneurs
 - Support in the form of a loan for a maximum period of 6 months
 - The amount of the loan shall be determined on a case-by-case basis
 - The purpose of the support is to enable minimum liquidity to be maintained until a restructuring or liquidation plan is drawn up

- ▶ **Temporary Restructuring Support**
 - Aid for micro-entrepreneurs and SMEs
 - Support in the form of a loan for a maximum period of 18 months, which is linked to the implementation of a simplified restructuring plan
 - The amount of the loan shall be determined on a case-by-case basis
 - The purpose of the support is to enable the pursuit of economic activity for the time necessary to implement measures aimed at restoring long-term competitiveness in the market

- ▶ **Restructuring Aid**
 - Aid for all categories of entrepreneurs
 - A wide range of forms of support (granting a loan, taking up shares in the increased share capital, taking up bonds, changing the repayment dates or converting a loan granted under other aid schemes into shares, deferral, rescheduling or cancellation of an administrative penalty)
 - The entrepreneur is obliged to prepare quarterly reports for the periods in which he/she benefited from public aid
 - The purpose of the support is to restore the long-term ability to compete in the market

GRANTS

Non-returnable aid granted to entrepreneurs

Subsidies for employee remuneration and social security contributions

- ▶ The Anti-Crisis Shield introduced the possibility of obtaining funding for employees' salaries and social security contributions from the Guaranteed Employee Benefits Fund and from the local governments
- ▶ Initially, co-financing from the Fund was associated with the obligation of the entrepreneur to introduce economic downtime (employees do not work) or reduced working time (employees work shorter) for individual groups of employees. The amendment to the Anti-Crisis Shield abolished this obligation (this obligation does not apply in the case of co-financing from the local governments)
- ▶ The basic condition for obtaining funding from the Fund is to show a decrease in economic turnover of 15% (from month to month 2020) or 25% (in a given month in 2019 and 2020)
- ▶ Co-financing from the Fund may amount to 40% of the average monthly salary in the event of reduced working time or 50% of the minimum salary in the event of economic downtime. Co-financing is also granted for social security contributions from the above co-financed remuneration.
- ▶ In the case of co-financing from the local governments, it is required to have higher turnover decrease (at least 30% from month to month 2020), however it is possible to obtain higher co-financing

Subsidies for interest rates on loans and guarantees provided by Polish National Development Bank (BGK)

- ▶ BGK provides loan guarantees. BGK runs a number of guarantee programmes for entrepreneurs, but two deserve special attention - de minimis programme for micro-entrepreneurs and SMEs and the guarantee programme for medium and large enterprises. These guarantees may cover up to 80% of the loan. In the case of programme for medium and large enterprises - the guarantee may be granted for a loan up to PLN 250 (EUR 55) million. In this programme BGK collects a commission of 0.25% or 0.50% of the guarantee amount for granting the guarantee (respectively for medium and large enterprises) when the loan repayment period does not exceed 12 months and 0.55% or 1.15% of the guarantee amount, when the loan repayment period is from 12 to 24 months. BGK does not charge any commission for the de minimis programme. The above programmes run until the end of 2020.
- ▶ The amendment to the Anti-Crisis Shield introduced subsidies for interest rates on loans. Subsidies will amount to:
 - a) For micro enterprises and SMEs - 2 percentage points
 - b) For large enterprises - 1 percentage point
 This program run until the end of 2020.

Planned instruments

- ▶ Currently, the state authorities plan to introduce new aid instruments, such as exemption from social security contributions, small subsidies for micro and small enterprises, and standstill benefits. These instruments are intended to target the industries most affected by the pandemic.

SPECIAL TAX REGULATIONS

Deduction of 2020 losses against 2019

- ▶ Negatively affected PIT and CIT taxpayers may deduct the losses of current year against profits of previous year, up to PLN 5 (EUR 1,1) million. In order to do so, previous year tax return should be corrected and filed again after the end of current tax year.

Postponement of payment of „real estate minimal income tax”

- ▶ Payment of special income tax collected on significant real estates (fixed assets) commissioned under lease or similar agreements was postponed

Income tax relief for debtors

- ▶ Debtors suffering in 2020 revenue loss due to Covid-19 do not have to recognise taxable revenue on the account of payables due for over 90 days, deducted from income tax base. Creditors may claim a bad debt relief after 30 instead of 90 days from the payment due date.

Right to resignation from simplified tax advances

- ▶ Taxpayers may now resign from the simplified model of calculation of monthly PIT and CIT tax advances (1/12 of past year profits), which would be not adequate in the current year affected by the pandemic

Tax capital group status maintained easier

- ▶ The conditions for maintaining tax capital group status (profitability, no taxes overdue) will be deemed to be met automatically

Special treatment of donations and investments made to fight Covid-19

- ▶ Donations made to selected entities fighting Covid-19 can result in favourable deduction from income tax base. Investments in fixed assets used to produce goods related to fight with the disease can be fully deducted from income tax base (one-off amortization).

R&D and IP-BOX benefits affecting also tax advances throughout tax year

- ▶ Research & Development and IP-BOX reliefs present in PIT and CIT provisions can be normally benefited from only after the end of tax year. In case the research activity is undertaken to fight Covid-19, these reliefs may also diminish the tax advances calculated during the current tax year.

No extension fees for tax deferral or payment plan

- ▶ Individual tax reliefs (deferrals, payment plans) will not involve the usual extension fee in case the application for the relief is filed during the state of epidemic or epidemic threat, or up to 30 days after the revocation of such state of emergency.

Postponement of collection of special retail tax

- ▶ The special retail tax introduced by the act of 2016 will not come into force until January 2021

Deadline extensions

- ▶ Annual income tax return filing deadline was postponed. Several other reporting deadlines were extended or suspended.

SPECIAL TAX REGULATIONS

Transfer pricing rules do not apply to some medical services

- ▶ The new regulations introduce an exemption from the application of the provisions on transfer prices of transactions concluded between a medical university and a health care entity as defined in regulations on health care entities

Pandemic-caused penalties are tax deductible

- ▶ Some contractual penalties are tax deductible, if they are caused by the pandemic

ROMANIA

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OVERVIEW OF GOVERNMENT MEASURES IN ROMANIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Grants of approx. EUR 1 billion designated to SME are intended to be awarded
- ▶ Suspension of the loan instalments (representing capital, interest and commissions) payment in certain conditions
- ▶ Preferential lending for SME through the programme IMM Invest Romania - amended
- ▶ Unemployment allowance for the temporary suspension of the individual employment contracts of employees granted to employers from the state budget in certain conditions
- ▶ Financial aid for employers that hire during the year 2020 (June-December) unemployed persons under certain conditions
- ▶ Certain discounts for payment of tax obligations were introduced
- ▶ Cancellation of ancillaries related to outstanding main budgetary obligations in certain conditions
- ▶ Introduction of tax reductions that will be implemented in the period 2021-2025 if certain conditions regarding equity are fulfilled

GENERAL MEASURES

During the state of emergency, in order to establish measures in the social protection domain, in the context of the epidemiological situation determined by the spread of Covid-19, certain supporting measures were adopted among which:

- ▶ The employees of the employers who during the decreed state of emergency, temporarily reduce or interrupt their activity as a result of the effects of the Covid-19 pandemic may benefit from the provisions regarding the payment of the allowance for the temporary suspension of the individual employment contract according to the Labor Code
- ▶ The level of gross indemnity that employees receive is 75% of the basic salary, but not more than 75% of the average gross salary provided by the state social insurance budget for 2020. The allowance will be borne from the unemployment fund budget.
- ▶ Other supporting measures were introduced for certain categories of employers that were affected by the coronavirus and that have restarted their activity
- ▶ Employers who will employ between 1 June 2020 and 31 December 2020 for an indefinite period, full-time, certain categories of persons, whose employment relationships have ended during the state of emergency or during the state of alert, registered as unemployed persons in the records of the local employment agencies, will receive a monthly aid
- ▶ Supporting measures have been introduced for employees whose work schedule was reduced, for professionals in case of reduced activity, for people who carry out occasional activities (daily workers), for employees with an employment contract for determined period, for employees who worked remotely, in certain conditions
- ▶ Companies can receive financial support to acquire goods/services up to the limit of EUR 500 for the employees, who tele-worked for at least 15 days during the state of emergency

During the temporary closing of the educational units certain social measures were adopted:

- ▶ An allowance is granted to parents for supervising children, in the event of temporary closure of educational units, which is borne from the state budget (except for income tax and social security contributions), starting with April 2020. The allowance is of 75% of the basic salary, but no more than 75% from the gross average salary provided by the state social insurance budget for 2020.

GENERAL MEASURES

In response to the spread of the coronavirus the Ministry of Finance adopted certain economic and fiscal measures to support the economic environment, such as:

- ▶ The deadline for payment of local taxes for 2020 (buildings/land/means of transport) is postponed
 - ▶ The deadlines for submitting the annual financial statements for the financial year 2019, respectively the annual accounting reports completed on 31 December 2019, are extended
 - ▶ The term from which the tax authority calculates interest and penalties for late payment and can start the foreclosure proceedings for the fiscal obligations due starting 21 March 2020 is extended until 25 October 2020
 - ▶ The deadlines for requesting restructuring of the budgetary obligations regarding the establishment of fiscal facilities are extended until 31 December 2020. Also, the categories of obligations for which the restructuring can be requested is extended.
 - ▶ Certain measures were introduced in order to avoid the insolvency procedures such as extension of terms for restructuring the tax obligations and others
 - ▶ The deadline for submission of the Unique declaration was postponed
 - ▶ Cancellation of certain ancillary tax obligations has been introduced in certain conditions (interest, penalties and other ancillaries related to the main budgetary obligations outstanding)
-
- ▶ During the state of emergency, SME that have interrupted their activity in whole or in part based on the decisions issued by the public authorities and who hold the emergency situation certificate issued by the Ministry of Economy, Energy and Business Environment, benefit from the deferred payment for utilities, as well as the rent for the building destined for registered office and secondary offices
 - ▶ SME do not owe late penalties for contracts concluded with public authorities during the state of emergency

FINANCING MEASURES

Emergency situation certificates

- ▶ The Ministry of Economy, Energy and Business Environment grants, upon request, to economic applicants, whose activity is affected in the context of the Covid-19 pandemic, emergency certificates in certain conditions, for total or partial interruption of the activities due to the state of emergency (Blue) and for a decrease of revenues or receivables by a min. of 25% in March compared to previous two months (Yellow)
- ▶ The Emergency Situation Certificate can be used in relation with the public authorities in order to obtain certain facilities/supporting measures (e.g. accessing facilities granted by public institutions) or in the commercial relations according to the law (e.g. renegotiation of certain contracts)

Loan facilities

- ▶ Facilities for loans granted by credit institutions and non-banking financial institutions:
 - Suspension by up to 9 months, but not longer than until 31 December 2020, of the obligation to pay the instalments related to the loans (representing capital, interest and commissions) granted by credit institutions and non-banking financial institutions to certain categories of debtors (including legal entities) for credit contracts, respectively leasing contracts, with certain exceptions
 - The facility to suspend the payment of the instalments can be granted only for the credits that do not register outstanding amounts on the date of the establishment of the state of emergency or if the debtors paid their outstanding amounts until the date of the request of the suspension
 - The measure of suspension is granted exclusively to debtors whose incomes have been directly or indirectly affected by the situation generated by the Covid-19 pandemic
- ▶ In order to benefit from the suspension of the repayment of the rates, interest and the commissions, the debtors must fulfill certain conditions detailed by the legislation
- ▶ Amendments and supplements are introduced regarding the IMM INVEST ROMANIA programme. Thus, facilities in the credit conditions are brought (e.g. state guarantees, subsidised interest)

GRANTS

- ▶ Grants of approx. EUR 1 billion designated to SME are intended to be awarded. The procedures are under discussion.
- ▶ The grants will be divided in 3 projects:
 - EUR 550 thousand for investments
(within the limit of EUR 200 thousand per grant)
 - EUR 350 thousand for capital
(within the limit of EUR 200 thousand per grant)
 - EUR 100 thousand for micro and small enterprises with one employee that did not receive any financial aid until now
(within the limit of EUR 2 thousand per grant)

SPECIAL TAX REGULATIONS

In order to stimulate the payment of the due fiscal obligations and to ensure public health, the following measures are applied:

- ▶ Granting discounts to the taxpayers that pay the corporate income tax in due time under certain conditions (5% discount granted to the large taxpayers, respectively 10% discount to the small and medium taxpayers for the first quarter of 2020 and 10% to all taxpayers of corporate income tax for the second quarter of 2020). Taxpayers who filed their corporate income tax return Form 101 without the application of the bonification can benefit from it by submitting a rectifying statement.
- ▶ The provisions regarding the granting of bonuses are also valid for the taxpayers who pay the specific tax for certain activities
- ▶ Introduction of tax reductions (2%; 3%; 5-10%) which will be implemented in the period 2021-2025 for corporate income tax taxpayers, micro-enterprises, as well as for taxpayers paying specific tax for certain activities, in case of fulfilling certain conditions related to equity
- ▶ The deadlines for submitting the tax statements and for paying the annual corporate income tax/micro-enterprise income tax for the fourth quarter/specific tax for the second half of the year were modified

Derogation from the provisions of the Fiscal Procedure Code:

- ▶ A simplified procedure for VAT reimbursements is introduced
- ▶ For late payment of instalments related to the schedules for tax obligations not paid until the termination of the state of emergency and 30 days after this date, no interest and penalties are calculated or due
- ▶ The measures of forced execution, by subpoena and by capitalization of the goods at auction of the budgetary debts are suspended, except for the forced executions that are applied for the recovery of the budgetary debts established by the judgments pronounced in criminal matters
- ▶ The term of prescribing the right of the fiscal body to calculate tax receivables and to request forced execution, as well as that of the taxpayer/payer to request the refund of the tax receivables, are suspended until the termination of the state of emergency and 30 days after this date

Regarding the tax on specific activities:

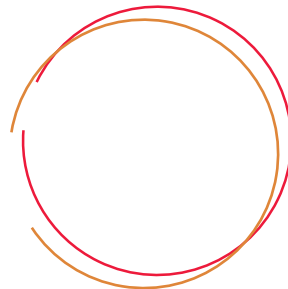
- ▶ The taxpayers liable to pay specific tax for certain activities in 2020 do not owe the tax for the emergency period and also 90 days after

Derogation from the provisions of the Fiscal Code:

- ▶ Microenterprises may sponsor public institutions and authorities, including specialized authorities of public administration, and the deduction will be performed based on the sponsorship contract, without having the obligation to register in the Register of entities/religious units

Gambling activities

- ▶ Facilities are introduced for gambling operators





SERBIA

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OVERVIEW OF GOVERNMENT MEASURES IN SERBIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Serbian Government made available approx. EUR 5 billion (11% of GDP), consisting of:

- ▶ EUR 810 million in form of direct grants to entrepreneurs, micro, small, medium, and large companies
- ▶ EUR 200 million of soft loans to be disbursed by Development Fund of Serbia
- ▶ EUR 2 billion for state-guaranteed loans approved by commercial banks
- ▶ EUR 1.4 billion for tax deferrals
- ▶ EUR 22 million earmarked for agriculture in form of state grants and state-subsidised loans
- ▶ EUR 590 million of direct payments to all citizens aged 18+

GENERAL MEASURES

Standstill on payments of liabilities to commercial banks and leasing companies & other CB measures

- ▶ Standstill on payments of liabilities introduced by National Bank of Serbia for a period of 3 months and additional 2 months
- ▶ In addition to standstill, banks allowed to offer other debt relief facilities to debtors
- ▶ In national emergency, banks and leasing companies banned from charging any default interest on past due outstanding receivables and initiating enforcement or enforced collection procedures as well as taking other legal actions to collect receivables from their clients
- ▶ Commercial banks to offer to borrowers refinancing or change of the maturity date of the last instalment of consumer, cash and other loans (except housing loans and current account overdrafts) approved by 18 May 2020 for additional two years

Reduction of the basic interest rate of the National Bank of Serbia to 1.5%.

- ▶ On 11 June 2020 National Bank of Serbia cut basic interest rate to 1.25% in order to counter the adverse effects of pandemic on the economic activity and ensure that inflation remains within target over medium term

Issuance of corporate bonds by private companies

- ▶ Private companies offered the opportunity to issue corporate bonds to be partially bought out by state-owned entities

Extending legal due dates for filing financial statements

- ▶ Legal deadlines for submitting annual financial statements extended to 30/60/90/120 days upon cease of national emergency

FINANCING MEASURES

Liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies in tourism, hospitality and passenger transport sectors

- ▶ Loans approved in RSD by Development Fund of Serbia to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies in the three industry sectors
- ▶ Interest rate set at 1% with 24-months grace period and 60-months repayment term
- ▶ Loans capped at 80% of 2019 annual revenues

State-guaranteed liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies and farmers

- ▶ Loans approved in RSD or EUR by commercial banks and backed by state guarantee scheme to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies, and farmers
- ▶ Interest rate set by bank with 9-12-months grace period and 36-months repayment term
- ▶ State guarantees to cover 50%+ of new loans or up to 50% of refinancing loans
- ▶ Loans capped at 25% of 2019 annual revenues or EUR 3 million
- ▶ Total available loan fund: EUR 2 billion

Liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies, and cooperatives

- ▶ Loans approved in RSD by Development Fund of Serbia to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies, and cooperatives
- ▶ Interest rate set at 1% with 12-month grace period and 36-months repayment term
- ▶ Loans capped at EUR 8,000 to EUR 1,000,000 depending on company size
- ▶ Total available loan fund: EUR 200 million

FINANCING MEASURES

State-subsidised investment loans for agricultural producers

- ▶ Loans approved in RSD by commercial banks for CapEx financing for physical entities, entrepreneurs, micro and small companies, and cooperatives
- ▶ Interest rate subsidised by state and set at 3% with 36-60 months repayment term
- ▶ Loans capped at EUR 25,000/ EUR 50,000/ EUR 150,000 depending on company size

State-subsidised liquidity and working capital loans for agricultural producers

- ▶ Loans approved in RSD by commercial banks for preserving liquidity and working capital financing for physical entities, entrepreneurs, micro and small companies, and cooperatives
- ▶ Interest rate subsidised by state and set at 1% with 36-60 months repayment term
- ▶ Loans capped at EUR 25,000/ EUR 50,000/EUR 150,000 depending on company size
- ▶ Total available loan fund: EUR 12 million

GRANTS

Direct payments to entrepreneurs, micro, small and medium-sized companies

- ▶ Payment of non-refundable funds in amount of 100% of net minimum monthly wage in period from May to July 2020 to entrepreneurs, micro, small, and medium-sized companies

Direct payments to large companies

- ▶ Payment of non-refundable funds equal to 50% of net minimum monthly wage in period from May to July 2020 to large companies for employees whose employment had been terminated due to coronavirus outbreak

Direct payments to citizens aged 18+

- ▶ Payment of EUR 100 in RSD countervalue to citizens aged 18+ who have applied for state grants

Direct payments to agricultural producers & city hotels

- ▶ Payment of non-refundable funds to physical entities, entrepreneurs, and legal entities
- ▶ Grants capped at EUR 170/ EUR 250/ EUR 750 depending on grant purpose
- ▶ Total available fund: EUR 10 million
- ▶ Payment of non-refundable funds to hotels in 68 cities
- ▶ Grants in the amount of EUR 350 per bed and EUR 150 per room
- ▶ Total available fund: EUR 10.7 million

SPECIAL TAX REGULATIONS

Payroll tax and social insurance payment deferral

- ▶ Deferral of payment of payroll taxes and contributions for all private companies during national emergency (April-May 2020) with repayment of tax liabilities in instalments starting from 4 January 2021
- ▶ Upon falling due and payable (4 January 2021), liabilities to be settled in up to 24 instalments without paying interest

CIT payment deferral

- ▶ Deferral of payment of Corporate Income Tax in Q2 2020
- ▶ Deferred advance payments to be made in 24 instalments without paying interest

Exemption from paying VAT for donors

- ▶ Trade in goods and services during national emergency, performed without a fee to: (i) Ministry of Health; (ii) Republic Health Insurance Fund; (iii) publicly-owned healthcare institution, VAT exempted

Extension of the period of deferred payment of debt

- ▶ For taxpayers granted deferred payment of tax, i.e. taxpayers who already have tax debt deferral agreement, Tax Administration not to, ex officio, cancel agreement during national emergency (starting with instalment due in March 2020); in that case, Tax Administration not to revoke decision on postponement of payment of tax due and perform procedure of enforced collection, whereby not charging interest

Tax interest during national emergency

- ▶ During national emergency, on higher or lower amount of paid tax and secondary tax duties, except interest, interest calculated and paid at rate equal to annual basic interest rate of National Bank of Serbia (tax interest reduced by 10 percentage points; interest reduced from 11.5% to 1.5%)



SLOVAK REPUBLIC

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OVERVIEW OF GOVERNMENT MEASURES IN SLOVAK REPUBLIC

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Slovak Government made approx. EUR 2 billion available, consisting of:

- ▶ Direct grants, equity injections, selective tax advantages and advance payments
- ▶ State guarantees for loans taken by companies
- ▶ Subsidised public loans to companies
- ▶ Safeguards for banks that channel State aid to the real economy
- ▶ Public short-term export credit insurance
- ▶ Support for coronavirus related research and development (R&D)
- ▶ Support for the construction and upscaling of testing facilities
- ▶ Support for the production of products relevant to tackle the coronavirus outbreak
- ▶ Targeted support in the form of deferral or exemption from payments of health insurance and social security contributions (for employer)
- ▶ Targeted support in the form of wage subsidies for employees/contributions to support maintaining of employment

GENERAL MEASURES

Employment measures

- ▶ Introduction of the option to order an employee to work from home and an employee's right to home office
- ▶ Reduction of wage compensation to 80% during the existence of obstacles on the part of an employer due to the shutdown of the activities resulting from decisions of the competent authorities or a declaration of a state of crisis, and enabling the employer to order an employee to work off the time for which the wage compensation was paid
- ▶ Shortening of the period for the advance announcement of the work schedule by the employer to at least two days and the shortening of the period for the advance announcement of vacation
- ▶ Increased protection for employees against employment termination and employees returning to work for reasons related to Covid-19
- ▶ Transitional relief in respect to certain information and other obligations of an employer pursuant to the Act on Occupational Health and Safety and related suspension of relevant periods

Economic measures

- ▶ The state will pay 80% of an employee's wage to companies whose operations were mandatorily closed and provide an allowance to employers whose revenues have decreased as a result of the declaration of the state of crisis
- ▶ Extension of the deadline for the submission of income tax returns and the payment of tax
- ▶ Relief of the obligation to meet the deadline for performance of certain acts
- ▶ Interruption of tax inspections and tax proceedings, postponement of tax enforcement
- ▶ Interruption of statutes of limitation
- ▶ Extension of deadlines for the submission of reports and conducting annual settlements
- ▶ Extension of accounting-related deadlines

FINANCING MEASURES

Loan guarantees and interest rate bonuses

- ▶ Financial assistance for employers through institutions such as the Export-Import Bank of the Slovak Republic and the Slovak Guarantee and Development Bank in the form of a guarantee for a loan provided by a bank (the guarantor is MFSR) or payment of interest on a loan provided by a bank from state budget funds

Postponement of loan repayments for individuals and SME

- ▶ Introduced postponement of the repayment of the loan to a maximum of 9 months for consumers, small employers or other entrepreneurs - natural persons

GRANTS

Contributions to support maintaining of employment - financial grants

The following forms of support were introduced:

1. Grants for employers forced to close their business as a result of the decision of the Slovak Public Health Authority to cover wage compensation provided to employees, amounting to 80% of average earnings of the employee, up to the amount of EUR 1,100 per employee (no total limit of support per employer was introduced)
2. Grants for other employers to cover wage compensation provided to employees, amounting to 80% of average earnings of the employee, up to the amount of EUR 880 per employee (no total limit of support per employer was introduced)
3. Grants for employers reporting decline in their revenues:
 - 20% and more - in the amount of EUR 180 per employee
 - 40% and more - in the amount of EUR 300 per employee
 - 60% and more - in the amount of EUR 420 per employee
 - 80% and more - in the amount of EUR 540 per employee (no total limit of support per employer was introduced, however, the employer has to choose between the measure 2 and 3)

Deferred payments of social and health insurance contributions

- ▶ Postponement of the payment of social security contributions (for employer) for March, May, June and July 2020, if their revenues dropped by more than 40% (until 31 December 2020).

Rental subsidies

- ▶ The provision of a subsidy to pay rent for the subject of the rent, the use of which was prevented or restricted as a result of Covid-19 in the amount of the agreed discount on rent, based on an agreement between the landlord and the tenant, up to 50%
- ▶ The tenant pays rent for the period of restricted use in the final amount reduced by the rent discount as well as by the rent compensation subsidy provided to the tenant. The tenant can repay the overdue rent in no more than 48 equal monthly payments.
- ▶ The expected total amount of the financial aid for these rent compensations constitutes EUR 200 million

SPECIAL TAX REGULATIONS

1. Prepayments of income or corporate income tax for 2020

- The possibility of non-payment of income tax advances payable during the pandemic was approved in cases, if taxpayer reports a reduction of their sales at least 40% in comparison with the same period in 2019. The reduction needs to be proved by taxpayer with a declaration submitted no later than 15 days before the advance expiration. The delay can be applied for the first time for May 2020. Taxpayer will settle the advances when submitting the tax return for the tax period 2020.
- Remission of the obligation to settle the tax arrears on corporate income tax advances from the start of the tax period until the end of the month following the month in which the deadline for filing the corporate income tax return expires.

2. Tax losses

- The possibility of one-off deduction of not deducted (and unexpired) tax loss for tax periods 2015 to 2018 (max. EUR 1 million) was approved in cases, if the deadline for filing the income tax return for 2019 expires in the period from 1 January 2020 to 31 December 2020. The tax loss is deducted chronologically from the first reported loss.

3. Abstention from the imposition of late payment fines

- The late payment interest will not be levied regarding to late payment of income tax (in case of fulfilment of this obligation within the end of the calendar month following the month in which the pandemic period is ended). For payments of other taxes, advances, withholding tax, etc. the exemption is not applied and the legal deadlines must be respected.

4. Motor vehicle tax prepayments

- Motor vehicle tax advances payable during the pandemic period do not need to be paid since April 2020. The unpaid advances will be settled within the deadline for filing the motor vehicle tax return.

5. Tax proceedings and tax audits

- Tax audits and tax proceedings will be suspended at the request of taxpayer. Tax distraintment procedures will be delayed as well.

6. Measures relating to deadlines for submission of selected filings

- Among other deadlines, the standard deadline (expiring during the pandemic) for submission of the income tax returns, motor vehicle tax returns, annual tax settlements for employees and announcements on non-monetary income by health care providers, as well as for payments of income tax liability, advance payments for personal income tax collected from employees, withholding tax and so called „securing of tax“ will be considered as met if the companies fulfill these obligations by the end of the calendar month following the month in which the end of the pandemics will officially be declared.



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OVERVIEW OF GOVERNMENT MEASURES IN SLOVENIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Slovenian Government made up to EUR 6 billion available, consisting of:

- ▶ EUR 3 billion (Corona package 1) to address liquidity pressures on businesses and individuals, allow deferrals on bank loan payments for up to 12 months, fund waiting for work and short-time work, compensate reimbursement of social security contributions, compensate self-employed for loss of earnings due to pandemic.
- ▶ EUR 2 billion (Corona package 2) mainly aimed at providing additional liquidity through Government guaranteed loan programme for business, economic entities and individuals engaged in economic activity.
- ▶ EUR 1 billion (Corona package 3) aimed at enabling and financing short-time work model, extending compensation for waiting for work, subsidising part-time work, and financing so-called vouchers to individuals in order to support Slovenian tourism.

In July and September, Slovenian Government issued corona-packages 4 and 5, mostly focusing on extending the already adopted crisis measures.

In November 2020 corona-package 6 was issued providing additional EUR 1 billion stimulus.

GENERAL MEASURES

Exemption of payments/refunds

- ▶ Exemption from payment of all social security contributions (employee's and employer's) on salary compensation in cases when employee was waiting for work at home or when employee stays at home due to force majeure (valid from 13 March until 31 May 2020, modified model as of 1 June 2020 on)
- ▶ Exemption from payment of pension contributions (employee's and employer's) for employees who were working during Covid-19 pandemic (valid from 13 March until 31 May 2020)
- ▶ Payment of crisis supplement to employees working during Covid-19 pandemic (valid from 13 March until 31 May 2020)
- ▶ Refund of salary compensation in all cases of sick leave (valid from 11 April until 31 May 2020)
- ▶ Emergency measures connected with self-employed persons (exemption from payment of social security contributions and state aid, which is valid from 13 March until 31 May 2020 and from 1 October until 31 December 2020)
- ▶ Vouchers provided by the Government to individuals (EUR 200 per individual who is a Resident of the Republic of Slovenia) in order to support Slovenian tourism (valid until the end of 2020)
- ▶ The furlough funding has been extended until the end of the year 2020, but is now tied to more restrictions
- ▶ 100% pay compensation for those ordered to quarantine after being exposed to coronavirus positive person at their workplace (valid from 11 July until 31 December 2020)
- ▶ Funding for personal protective equipment and sanitation in schools and preschools has been envisaged, while parents of children in quarantine will receive a reduced preschool bill (valid from 24 October until 31 December 2020 or as long as the schools/preschools are closed)

Corona short-time work model

- ▶ With the purpose of keeping work posts, the employer can send the full-time employee to work on a part-time basis and wait for work at home for the other part. The work part must be at least 50% of the full employment time.
- ▶ For the waiting at home part, the employer can claim a partial salary compensation refund from the state (subsidy) if the company cannot ensure at least 90% of work for at least 10% of the employees on a monthly basis. Some employees are exempt from this measure.
- ▶ This measure can be applied in the period from 1 June 2020 until 31 December 2020, however with the latest corona-package 6 it has been extended until 30 June 2021
- ▶ The employee receives regular salary for the working part and 80% salary compensation for the non-working part
- ▶ Full monthly salary compensation depends on the actual working hours of employee and is set in a fixed amount

Although certain interventional measures under specific corona packages ended, they might influence future business decisions of employers/self-employed persons and certain behavior might trigger the obligation to return received aid from those measures.

To reduce the workload the option of sick leave of up to three consecutive days without a visit to the doctor has been introduced as of 24 October until 31 December 2020

FINANCIAL MEASURES

Government guaranteed loans

- ▶ Under the Law on Providing Additional Liquidity to the Economy to Mitigate the Impact of the Covid-19 pandemic, state guaranteed loan programmes are available. In order to be eligible for the loan, the credit agreement must fulfill the following criteria:
 - They must be concluded between 12 March 2020 and 31 December 2020
 - Credit term shall not exceed 5 years
 - The loan is intended solely to finance the core business
 - The loan is intended for financing new or completion of already started investments, working capital, or repayment of obligations arising from credit agreements concluded from 12 March 2020 until this law's enforcement
 - The loan is not intended to be used for financing of subsidiaries or companies domiciled abroad
 - The maximum credit amount is up to 10% of borrowers 2019 sales revenue but shall not exceed the amount of borrowers labour costs in 2019
- ▶ The Republic of Slovenia provides up to 80% of state guarantee for loans granted under this Law
- ▶ The duration of an individual guarantee may not exceed the maturity of the loan

Deferred payments on granted loans

- ▶ Refers to Law on emergency measures of deferred payment of borrower's obligation (ZIUOPIK)
- ▶ Borrowers can agree with the bank to defer their credit obligation for up to 12 months (starting from 12 March 2020, when pandemic was declared in Slovenia)
- ▶ Deferred credit obligations refer to repayment of principal and interest. Interest is however accrued during the time of deferred payment of borrower's obligation.
- ▶ Qualified beneficiaries under this Law are:
 - companies,
 - cooperatives,
 - self-employed individuals,
 - agricultural holders and supplementary farm operators,
 - individuals (citizens of the Republic of Slovenia with their permanent residence in the Republic of Slovenia).

Refund of fixed costs

- ▶ A new mechanism enabling refund of so called uncovered fixed costs (presently for the period from October 2020 until December 2020), provided that the recipient meets specific requirements set in corona-package 6

GRANTS

Law on emergency measures to mitigate and remedy the consequences of the Covid-19 epidemic (ZIUOOPE) valid for the period from 1 June 2020 until 31 December 2020:

- ▶ The main emergency measure put in place with this law is the subsidised short-time working model as described on previous slide. This emergency measure can be used for the period from 1 June 2020 until 31 December 2020. With the latest Corona package it has been extended until 30 June 2020.
- ▶ Each individual with permanent address in Slovenia on 13 March 2020 will receive a voucher which can be used in tourism in order to help the tourism sector
- ▶ Sole proprietors and micro companies will once again be eligible to monthly income compensation

Law on Determining Interim Measures for Mitigation and Remedy the Consequences of the COVID-19 (ZZUOOPE) determines interventional measures in the current period. The law has just been modified with Corona package No. 6 (Law Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (ZIUOPDVE)).

They determine measures for the period from 1 October 2020 (some from 1 September 2020) until the end of 2020, with possible extensions also in 2021. Currently the following measures are available to employers/self-employed persons:

- Refund of salary compensation for employees waiting from work at home (available until 31 January 2021)
- Refund of salary compensation for employees unable to work due to home quarantine (available until 31 December 2020, with possibility to extend it in 2021)
- Refund of salary compensation for employees unable to work due to force majeure (available until 31 December 2020, with possibility to extend it in 2021)
- Sick leave up to three consecutive work days (available until 31 December, with possible extension in 2021)
- Monthly universal income to self employed persons and partial reimbursement of lost incomes in case of inability to work due to home quarantine or force majeure (available from October until December 2020, with possible extension in 2021)

SPECIAL TAX REGULATIONS

Law on emergency measures in the fiscal area (ZIUJP) and Law on emergency measures in the field of wages and contributions (ZIUZPP) and Law on intervention measures to contain the Covid-19 pandemic and mitigate its consequences for citizens and the economy (ZIUZEOP):

- ▶ Employers were exempt from payment of withholding tax for April and May 2020
- ▶ Due date for tax returns was extended
- ▶ Proceedings for deferred payment of tax obligations or for payment of tax obligations in installments were simplified, if request was made due to the Covid-19 pandemic
- ▶ Fifth corona package introduced exemption from taxable benefit in kind for situations where employer pays test for Covid-19 to employee (valid from 24 October 2020 until 30 June 2021, with possible extension)
- ▶ Sixth corona package introduced another possibility to apply for deferred payment of tax obligations or for payment of tax obligations in instalments from 28 November until 31 December 2020 in a simplified manner
- ▶ Concerning the VAT, if special conditions are met, transaction of import or EU acquisition of special equipment (medical etc.) is VAT exempt and in a case of donation (under special requirements) there is no obligation to account for VAT or for VAT deduction
- ▶ In the CIT (corporate income tax) part a taxable person might treat payments to the special account of the state Slovenia or payments to other EU Member States accounts (for Covid recovery) as a tax relief in a paid amount but only to the tax base

BDO cares

