

Immediate Responses by Income Tax Administration to COVID-19: A Comparative Study

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During the last few months COVID-19 has been adversely impacting the global economy - irrespective of the stage of economic development of countries. The virus has transcended all boundaries - geographical, economic, political, religious, you name one and that boundary has been breached. Countries with best medical facilities or with bare minimum capabilities all are impacted. The number of people testing positive is going up every day and so is the mortality rate. Countries are closing their boundaries, locking down businesses and restricting movements of people and vehicles. Also, in India except for medical establishments and organisations engaged in providing essential services, all other establishments are closed. All these have created situation not faced by humanity in the known times. In majority of countries business activities have come to stand still. This unique situation is throwing challenges to tax administrations and taxpayers - some need immediately solution while others require long term measures to put the economy back on rails.

Tax administrations have taken steps to ease the burdens on taxpayers and to support businesses and individuals with cash flow problems, having difficulties in meeting tax reporting or payment obligations or otherwise facing hardship. The measures taken are basically to provide additional time for dealing with tax affairs, including consideration of extension of filing deadlines, remitting penalties and interest, deferral of tax payments, easier access to debt payment plans and extension of plan duration and suspension of debt recovery. Many countries are expediting refunds to taxpayers. Audit policy to provide quicker tax certainty has been introduced in several countries. All countries, surveyed by the Organisation for Economic Cooperation and Development (OECD)[\[2\]](#), are enhancing taxpayer services and are taking communication initiatives.

As tax laws and economic situations in no two countries are identical, each country has to look for measures suitable to it. Indian authorities, too, have been alive to the situation and have been taking commendable steps to support taxpayers. They extended the last date for filing income tax returns for FY 2018-19, from March 31, 2020, to June 30, 2020. Further, certain other tax compliances such as linking of Aadhar number and PAN u/s 139AA of the Income Tax Act, 1961, payment under 'Vivad se Vishwas Scheme 2020', making tax saving investments, among others, are also extended to June 30, 2020.

The Finance Ministry has notified the extension of validity of all lower withholding tax orders which were expiring on March 31, 2020 till June 30. The Central Board of Direct Taxes (CBDT), in an order dated March 31, 2020 said that for all taxpayers who have filed lower/Nil withholding tax application for FY 2020-21 and whose applications are pending for disposal as on date and where they have been issued such certificates for FY 2019-20, such certificate would be applicable till June 30, 2020. The order further mentioned that in cases where the taxpayers could not apply for issue of lower or nil withholding tax, but holds certificate for FY 2019-20, this will be applicable till June 30, 2020. Further, CBDT has instructed all officers to dispose of applications filed during FY 2019-20 via email by April 27, 2020. These steps will take care of the situation where payments are stopped for the sake of clarity on rate of withholding tax to be applied on the payment.

Recently, the Indian government with an intention to reduce pendency before various appellate authorities announced the 'Vivad se Vishwas Scheme 2020'. It provided a onetime dispute resolution opportunity to taxpayers to pay only disputed tax while interest, penalty and prosecution exposure are to be waived. The time limit for availing the benefit of the scheme and payment of taxes under this scheme was March 31, 2020, and with additional 10% fees the deadline was June 30, 2020. The government has extended the deadline under this scheme to June 30, 2020 without additional payment of interest.

Further, though the due dates for payment of advance tax and withholding tax (TDS) are not extended, interest rates have been reduced from 12%/18% to 9% per annum for the period between March 20, 2020

and June 30, 2020. Similarly, the rate of interest on delay in making payments due in March/April 2020 (in some cases, on various dates, till 30 June 2020) in respect of equalisation levy, Securities Transaction Tax (STT), Commodity Transaction Tax (CTT) and payment in respect of additional income-tax in respect of buy-back of shares etc., have been reduced by varying amounts.

Several countries have also extended the dates where the due dates for statutory compliance were falling during the last month or two or are due in in near future. For example, Belgium has extended the return filing deadlines for corporate income tax, legal entity tax and non-resident income tax (corporate) from 16th March to 30th April. Canada has taken similar steps, whereby for individuals (other than trusts), the income tax return filing due date is deferred until June 1, 2020 (from April 30, 2020). However, individuals expecting to receive certain benefit have been encouraged to file their returns without delay to ensure their entitlements for the 2020-21 benefit year. For trusts having a taxation year ending on December 31, 2019, the return filing due date are deferred until May 1, 2020 (from March 30, 2020). In Japan, the National Tax Agency (NTA) has extended the filing and payment due dates for individual income taxpayers by one month to April 16, 2020. Further, if a taxpayer or tax accountant gets infected by Covid-19 and cannot file a tax return or pay tax by the due date, the filing / payment may be extended depending on individual circumstances. Due dates for filing tax returns have been extended in Italy, South Korea and Russia also.

Like India, several countries have taken measures to lessen the burden of tax payments by extending due dates or by providing relief on interest/penalty thereon. Australia has deferred payments due on or after 23rd January by up to 6 months. In Belgium, companies suffering from the impact of Covid-19 can apply for a debt payment plan. In such a case, the company can also apply for an exemption of interest payments on arrears and the remission of fines for non-payment. Similarly, in France companies can request a deferral of payment for direct taxes and social security contributions. Deferrals are granted automatically for a period of 3 months without any penalty and without furnishing any further proof. Further, if the taxpayer commits payment of taxes, penalties can be waived.

The Canada Revenue Agency have allowed all taxpayers to defer, until after August 31, 2020, the payment of any income tax amounts (i.e., tax balance owing, instalments) that become owing on or after March 18, 2020 and before September 2020. No interest or penalties will accrue on these amounts during this period. Further, no interest or penalties will accumulate on deferred income tax amounts during the period from March 18, 2020 to August 31, 2020. The government of United State of America (USA) has granted everyone an extra three months to file and pay their 2019 federal income taxes because of the corona virus pandemic.

In response to the economy hit by the corona virus, The USA Congress passed a US\$ 2 trillion relief package that will send payments in the coming weeks to most Americans, based on their income. People with income up to US\$ 75,000 qualify for US\$ 1,200. Parents also get US\$ 500 for each child aged 16 or younger. The US government is basing the checks on information from latest filed tax return of either 2019 or 2018, if tax return for 2019 not yet filed.

Taxpayers are not required to do anything special to get extra three months to file their returns; extension is automatic. But if taxpayer needs even more time to file, they can submit request through specified form by July 15 to get an extension to file until October 15. Taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount due. The US tax authorities have requested taxpayers to file for tax refunds as soon as possible. Most tax refunds are being issued within 21 days.

Several other measures have been taken by various countries, such as extension of the dates for completing audit of tax returns and are providing services to make compliance easier. India is encouraging taxpayers to use emails to approach the authorities for any redressal of grievances. Australia has lifted the write-off threshold to AU\$150,000 and extended to businesses with a turnover up to AU\$500 million, from AU\$50 million. The cut-off date to take advantage of the increased limit, has also been extended to June 30, 2020.

On March 27, 2020, the Corona virus Aid, Relief and Economic Security Act (the "Cares Act") was signed into law by the US President. This includes corporate and other business tax reliefs, including permitting carry backs of net operating losses ("NOL") among other forms of relief. The Tax Cut and Jobs Act ("TCJA") generally disallowed the use of NOLs against the income of prior tax years. The Cares Act allows an NOL incurred by a corporation in tax years beginning after December 31, 2017 and before January 1, 2021 to be carried back to each of the five tax years preceding the tax year of the NOL. An NOL arising during this period that a taxpayer elects to carry back must be carried back to the earliest year within the five-year period in which the taxpayer has taxable income.

The government of Hungary has introduced amendments to social security and certain tax payment rules. Modifications are to apply for the period of March-June 2020 for certain sectors— the hospitality and tourism sector; entertainment, film industry, and performing art sector; the sport services sector; the event

organization sector; and the gambling section. The changes provide that employers in these sectors will not be liable to pay the employer part of social security contributions (17.5% + 1.5%) with respect to employment income paid to employees for the period March-June 2020. Moreover, employees will only be liable to pay 4% healthcare social security contribution on their employment income received during the March-June 2020 period (instead of the aggregated 18.5% social security contribution).

Kenya's President outlined tax proposals intended to provide relief regarding the corona virus (COVID-19) pandemic. The government has proposed a reduction of the resident corporate income tax from 30% to 25% to allow companies additional resources to sustain their operations. 100% tax relief for individuals earning gross monthly income of up to KES 24,000.

The Government of the Republic of Mauritius has decided to implement a Self-Employed Assistance Scheme (SEAS) through the Mauritius Revenue Authority (MRA) to assist self-employed persons who have suffered a loss of revenue as a consequence of the lockdown in the fight against Covid-19. A self-employed individual who is in business, or a tradesperson operating in the informal sector, e.g. a mason, a cabinet maker, a plumber, a hairdresser and an artist is entitled to join the assistance scheme provided he is a Mauritian national above 18 years of age and who has been in business for the last 3 months. Eligible self-employed individuals and tradespersons will receive a financial support of Rs 5,100 each for the period 16 March 2020 to 15 April 2020. They must submit their applications online on MRA's website. All payments will be credited to their respective bank accounts.

Additional measures India should Take

There is no doubt that the Indian government has taken several taxpayer friendly measures. However, some more measures are required to be taken. It needs no emphasis that the Corona virus has caused mammoth loss to the Indian capital market. Wealth worth Billions of dollar has eroded since the Corona outbreak. To lift the morale and boost the capital market, the government may consider waiving off 10% tax on Long Term Capital Gains on sale of shares and mutual funds and relaxing Securities Transaction Tax and Commodities Transaction Tax for at least one year.

The Start-ups need immediate attention. It has not been long since India started providing encouragement to this sector through tax measures. They may need additional help in the form of tax breaks or deferments of dues to government. **Government may consider enhancing tax holiday period for start-ups**. Further, like Australia additional depreciation may be offered to industries for a limited time as the industry will take a couple of years to go back to the level existing before the locked down.

It is an accepted fact that along with businesses labour has been worst hit. This sector does not have savings to see through even a short period of locked down. They need some income to sustain them and their family. To motivate business to keep their labour forces intact some additional tax deduction may be offered such as, weighted deduction in respect of wages. Further, salary class taxpayers may be offered additional deduction in the form of enhanced standard deduction as well as enhanced deduction for medical expenses wherever hospitalisation of the self or dependent family member due to the Virus has happened.

Tax administration has rightly extended timelines for various compliances to June 30, 2020. However, clubbing all compliances on the same date would put huge pressure on the taxpayers, consultants and government infrastructure to handle this. Extension could be granted in a staggered manner. Further, individual tax return for the FY 2019-20 falls due on July 31, 2020, the government may consider extending this timeline.

Medical professionals of the country be doctors, nurses, para medical staff, etc., and hospitals are working day and night risking their own lives. As a token of appreciation, government may consider offering some additional tax rebate to medical professional as well as to hospitals and laboratories. There is no gain saying that the medical facilities must have capacity to provide services comparable to the best in the world to fight the deadly viruses.

Conclusion

There is no denying that world is passing through one of the most difficult times. Social distancing and locking down of major economic activities are adversely impacting citizens of all countries, most importantly the poor. The dilemma for governments across the globe is how to keep economic activities going on and at the same time stop the virus from spreading. Businesses, across the spectrum are badly affected. They are facing several challenges, most notably keeping supply going on, retaining employees and supporting their financial situation, and ensure regulatory compliances. They are looking for fiscal and non-fiscal support from their governments. In this unique situation all governments are taking several measures to support their businesses and citizens. Tax administrations in all countries have granted extension of time limits of

statutory compliances falling during March till May/June 2020. They are deferring the dates of payments of statutory dues and lowering the rates of interest on delayed payments. Several countries have taken several other taxpayers friendly measures for the smooth compliances. All these are commendable. India has been taking commendable measures to support the taxpayers of the country. It would go a long way if certain more measures mentioned in the article are taken for short term as well as long term benefits to taxpayers and ultimately to country. At the end of the day, the solution is to ensure that business, professional and labour activities restart and reach normalcy at the earliest.

[1] S. P. Singh is an Ex-IRS Officer while Sharad Goyal is partner with GSAP & Associates LLP. The authors want to thank Chandra Sekhar Pandey of GSAP & Associates LLP. The views expressed here are not necessarily of their present and past organisations.

[2] Tax Administration Responses to COVID-19: Measures Taken to Support Taxpayers - Forum on Tax Administration, OECD, 26 March 2020