

The ability to pay principle and COVID19 measures

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Companies in distress -COVID19

- Principles: Equality and/or ability to pay: Constitution, Tax Law or case law.
- COVID19 resulted in a different treatment for companies in distress due to COVID19.

How does the principle of equality or ability to pay influence the measures introduced by the country for companies in distress due to COVID19?

But the first question should be

Has the principle of equality and/or ability to pay be considered when introducing tax measures to help companies in distress due to COVID19?

- Other principles that may be also relevant: retroactivity and fairness (equity).



Special treatment

- To all companies/ some companies? E.g. one person companies, self-employed, independent contractors, and micro enterprises
- Special treatment
 - Extension payment of taxes (income tax, value added tax) and social security contributions
 - Payment of taxes due in instalments; In phases, with one additional extension (see Austria)
 - Lower interest rates if taxes are not paid in time. Sometimes no late payment surcharges at all for a specific period.
 - Lower penalty if the corporate income tax return has not been accurately fulfilled due to the uncertainty of the COVID measures.
 - Liquidity support for firms (fixed cost subsidy, and loss compensation)
 - Hardship fund for small businesses (non-repayable tax free grant).
- Ending measures 2021? 2022?
- Important also the role of tax incentives: Balance between raising revenue and ensure recovery of the economy. See
<https://globtaxgov.weblog.leidenuniv.nl/2020/08/17/tax-incentives-in-a-post-covid19-world/>
<https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-temporary-investment-incentives.ashx>

Official guidance

- In official language? In English?

Examples

- <https://investinaustria.at/en/blog/2020/03/covid-19-support-measures-companies.php#eins>
- https://sede.agenciatributaria.gob.es/Sede/en_gb/medidas-tributarias-covid-19.html
- <https://www.mef.gov.it/en/covid-19/The-main-fiscal-measures-adopted-by-the-Italian-Government/>
- [https://nav.gov.hu/en/Information_COVID-19/\\$rppidox1484150x112_pageNumber/1](https://nav.gov.hu/en/Information_COVID-19/$rppidox1484150x112_pageNumber/1)
- <https://business.gov.nl/corona/repaying-corona-support/pay-off-your-tax-debt-with-a-payment-arrangement-with-the-tax-administration/>

Also some measures in website of IOTA (Intra-European Organization of Tax Administrations)

<https://www.iota-tax.org/news/republic-lithuania-measures-covid-19-crisis>

See also IMF Policy Responses to COVID19

<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>