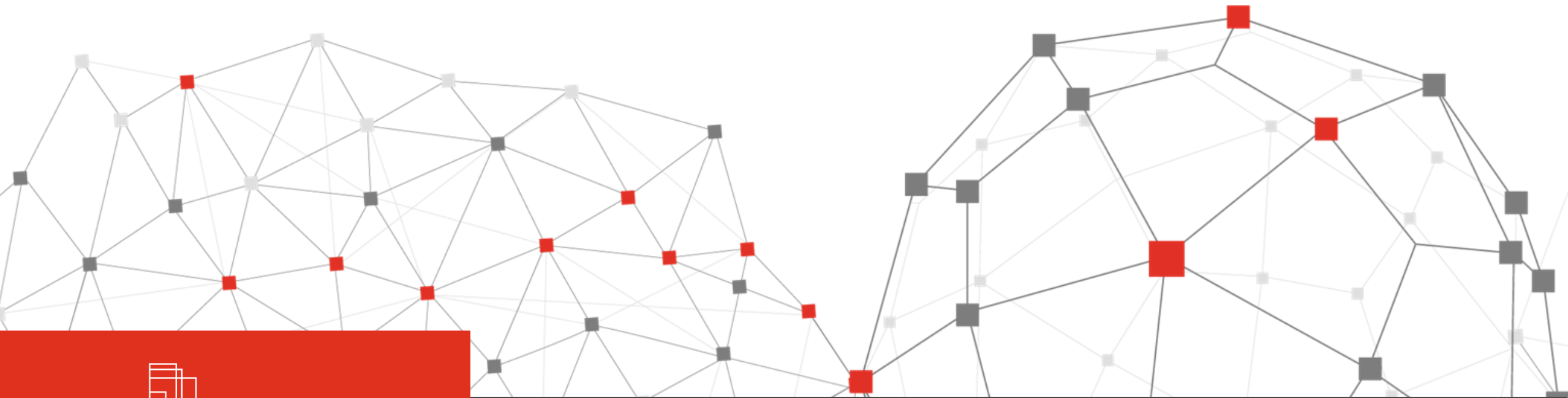


COVID-19

Finance & Tax Support Measures

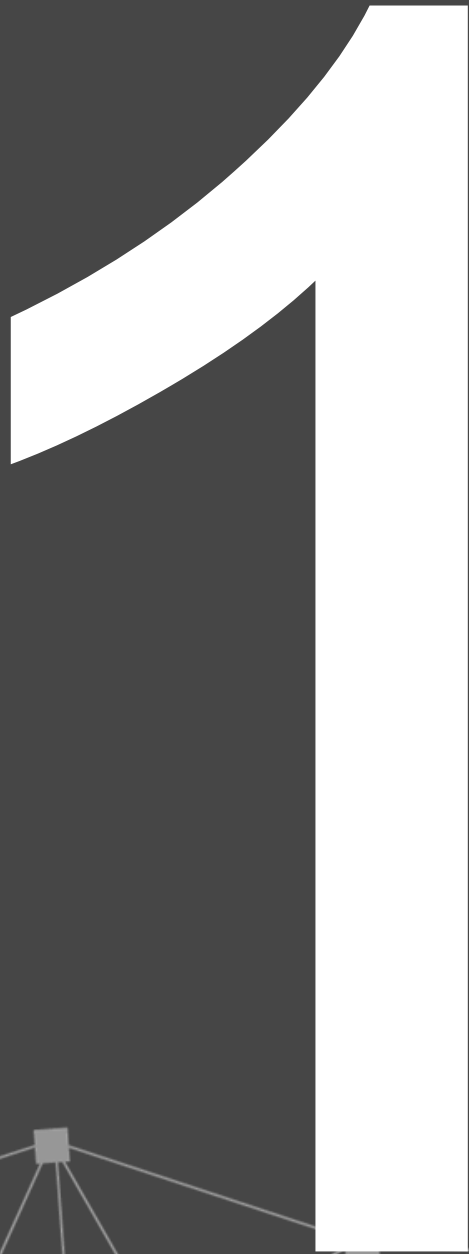


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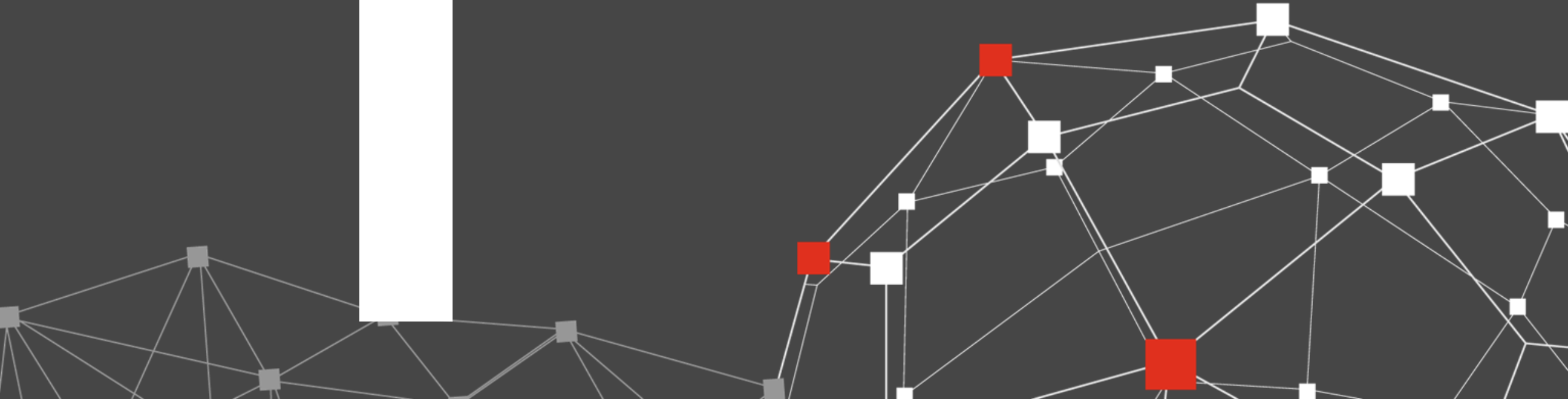
16 April 2020

Agenda

1. Funding based measures
2. Tax based measures



Funding Based Measures



1. Funding Based Measures

UK

- Corporate Financing Facility
- COVID-19 Business Interruption Loan Scheme
- Coronavirus Job Retention Scheme
- Cash grants
- Specific sector support

US

- Treasury Exchange Stabilization Fund
- Small Business Administration 'Paycheck Protection Program'
- Employee Retention Credit

Korea

- Emergency relief funds
- Lending support (via loans and guarantees)
- Increase of employee retention subsidy
- Subsidy for quarantined employees
- Other subsidies

1. Funding Based Measures

Korea: Highlights of the Financial Rescue Package

- Helping small and mid-sized companies obtain loans from financial institutions at low interest rates of 1.5%
- Providing special guarantees to SMEs to help them access special business loans
- Deferring loan repayments for SMEs by up to 6 months
- Suspending loan interest payment for SMEs for 6 months
- Support the issuance of corporate bonds

1. Funding Based Measures

Korea: Employment Retention Subsidy

- Employment retention subsidy increased from 75% to **90% for 3 month period** from 1 April to 30 June 2020
- **Relaxation of rules** to be eligible – temporary exclusion of condition that must have suffered a 15% fall in sales
- Company size eligibility:
 - Manufacturing business: up to **500** employees
 - Mining, construction, transportation, publishing/video, social service, science and technology service, health business: up to **300** employees
 - Wholesale and retail, food and lodging, financial and insurance, art, sports business: up to **200** employees
 - All other businesses: up to **100** employees

1. Funding Based Measures

Korea: Other Subsidies

Subsidy for quarantined employees

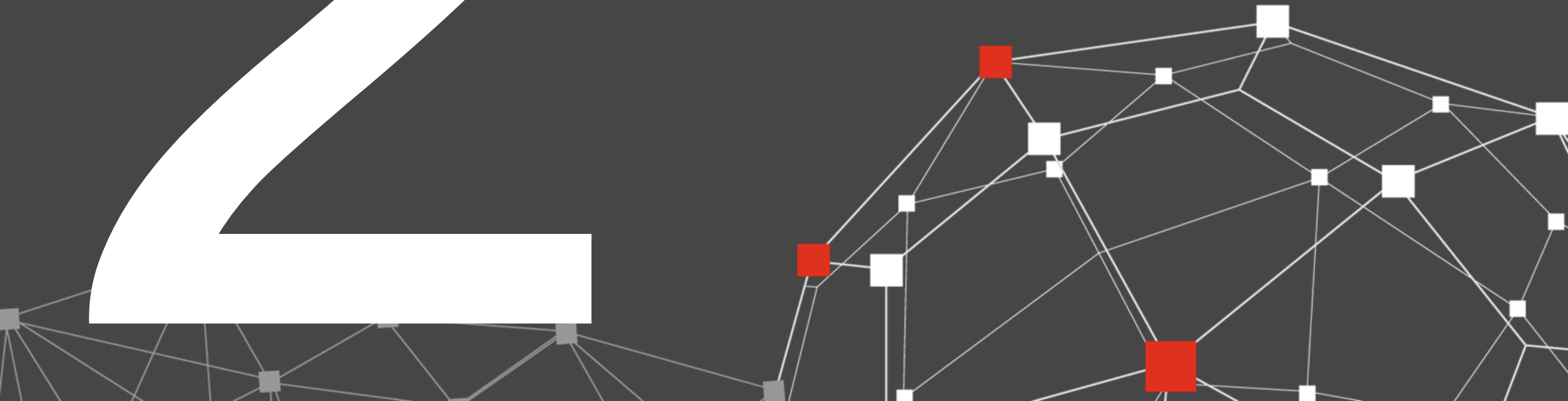
- **Eligibility:** Employers who provide paid leave to employees that have been quarantined due to COVID-19
- **Subsidy amount:** Up to **KRW 130,000 per day** per employee

Subsidy for flexible working arrangements

- **Eligibility:** SMEs that provide flexible working arrangements for employees
- **Subsidy amount:**
 - Up to **KRW 100,000 per week** per employee (KRW 5.2 million per year)
 - Available for up to 30% of insured employees

2

Tax Based Measures



2. Tax Based Measures

UK

- VAT payment deferrals
- Time to Pay Support
- Business rate reductions / holidays

US

- Extension of Federal tax filing deadlines (15 April → 15 July)
- Payroll tax deferral
- Net Operating Losses
- Relaxation of interest deduction limits

Korea

- Tax payment deferral
- Special tax reductions for SMEs in special disaster zone
- Tax initiatives to encourage consumer spending
- Rent reduction incentive
- Social security relief measures
- VAT exemption for simplified taxpayers

2. Tax Based Measures

Tax payment deferral for companies

Companies in designated disaster zones (e.g Daegu)

- **Corporate tax & VAT:** 1 month extension to the filing and payment deadlines
- **Customs:** Extension of payment due date and/or instalment payments

All other companies (no specific measures)

- **Extension to tax filing & payment deadlines:** up to 9 months may be granted in exceptional circumstances
- **Interim corporate tax payment:** file based on actual results for first 6 month period rather than 50% of prior year tax liability

2. Tax Based Measures

Special tax reductions for SMEs in special disaster zone

- SMEs engaged in qualified businesses are eligible for a tax credit from 5% to 30% depending on location, size, business types with a cap of KRW 100 million
- For SMEs in COVID-affected regions (e.g. Daegu) the credit rate will increase:
 - Small companies: **60%** (instead of up to 30%)
 - Medium sized companies: **30%** (instead of up to 15%)
- The cap on tax deduction will also increase from KRW 100 million to **KRW 200 million** provided employment levels are maintained
- Certain businesses not eligible including those operating in the bar and real estate sectors

2. Tax Based Measures

Tax initiatives to encourage spending

(i) Tax deductions on individual spending

- Increased tax deductions on individual spending between March - June
 - Credit card spending 15% -> **30%**
 - Cash receipts / debit cards 30% -> **60%**
 - Traditional market / public transport 40% -> **80%**
- Proposed that the deduction rates for credit and debit card spending are increased to **80%** for spending at businesses most impacted by COVID-19 (e.g. restaurants, hotels, travel, performing arts, transportation etc)

(ii) Reduction in consumption tax

- Consumption tax on motor vehicles will be **reduced by 70%** (from 5% to 1.5%) for purchases between March to June
- The tax reduction will be capped at KRW 1.43 million (including KRW 0.3m in education tax and KRW 0.13m VAT)

2. Tax Based Measures

Tax initiatives to encourage spending (cont'd)

(iii) Increase in deductible entertainment expenses

- Increased limit on deductible entertainment expenses (2020 only)

Normal Rates	Reduced Rates
Revenue up to KRW 10bn: 0.30%	0.35%
Revenue between KRW 10 – 50bn: 0.20%	0.25%
Revenue exceeding KRW 50bn: 0.03%	0.06%

2. Tax Based Measures

Rent reduction incentive

Special tax credit for reductions in rent

- Landlords can benefit from a corporate tax credit if they provide the discount on a voluntary basis
- Deduction amount is equal to 50% of the rent reduction during the period 1 January to 30 June 2020
- Tenant must be a micro-sized business

2. Tax Based Measures

Social Security Relief Measures

National Health Insurance

- Lowest 20% of income earners (c. KRW 1.75 million per month): **50% contribution relief** for employer and employee for 3 months (March, April & May)
- 21 – 40% of income earners (c. KRW 2.33 million per month): **30% relief** for employer and employee for 3 months

Workers Accident Compensation Insurance

- **Eligibility:** Small businesses with less than 30 employees
- **Relief:**
 - **30% contribution relief** for 6 months (March to August)
 - 3 month payment deferral of payment from March to May

2. Tax Based Measures

Social Security Relief Measures

National Pension

- Payment deferral for 3 months from March to May

Employment Insurance

- **Eligibility:** Small businesses with less than 30 employees
- **Relief:** 3 month payment deferral of payment from March to May

2. Tax Based Measures

VAT Reductions & Exemptions

Temporary exemption from VAT payment for simplified VAT taxpayers

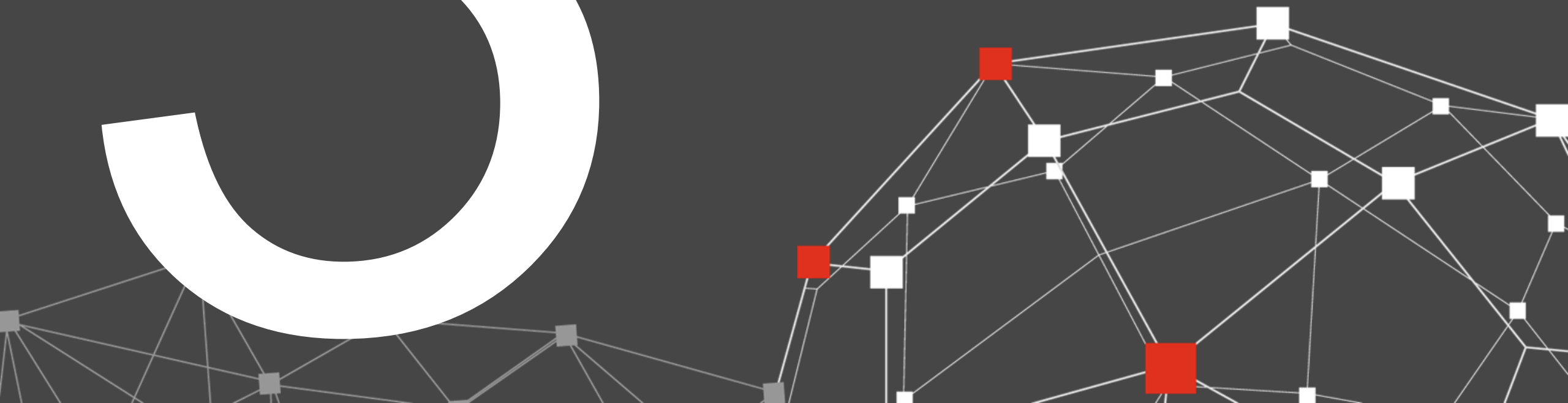
- The amount to qualify as a Simplified Taxable Person is increased from KRW 30 million to **KRW 48 million** annual turnover for 2020
- A simplified Taxable Person is exempt from VAT payment obligations until 31 December 2020
- Not available for certain business types, e.g. bar business, real estate rental business etc.

VAT reduction for small sole proprietors

- For individual entrepreneurs with sales of KRW 40 million or less in each 6 month VAT period (i.e. (i) 1 Jan – 30 June, and (ii) 1 July – 31 Dec), their VAT liabilities are reduced by applying the simplified payment scheme until 31 December 2020
- Simplified calculation method: Sales x VAT ratio by industry* x 10%
- **VAT ratio by industry ranges from 5 to 30%*
- Not available for certain business types, e.g. bar business, real estate rental business etc.

3

Useful Materials



Summary of Government Responses

Navigate the tax, legal and economic measures in response to COVID-19

There is a dedicated Covid-19 page on the [pwc.com global website](https://www.pwc.com/global) which gathers together in one place the publicly available information on matters of general guidance. It provides a high-level overview of the nature and extent of local tax, legal and economic measures that the authorities are taking in response to the COVID-19 pandemic as at the date shown.

In addition to the global site, many PwC territories also have local country information with more details and the official text of measures or other aids.



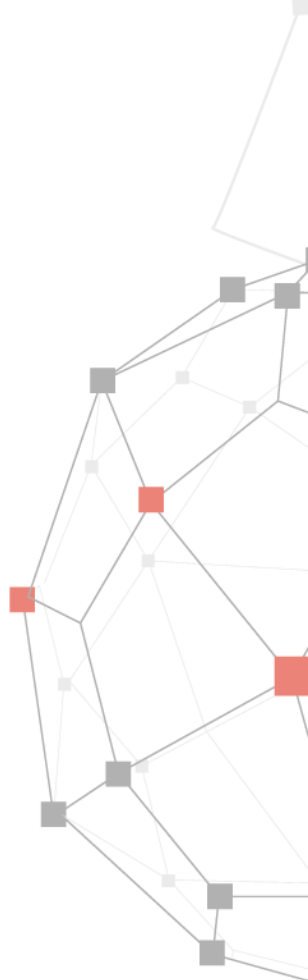
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Thank you