



COMPARATIVE STUDY OF FISCAL AND TAX LAW COUNTERMEASURES AGAINST COVID-19 IN DIFFERENT COUNTRIES

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The outbreak and spread of COVID-19 have caused significant damage to the global economy. As the foundation and key pillar of national governance, finance has a unique role to play in combating the negative impact of the epidemic. The paper uses the international horizontal comparison perspective to sort out and analyze the content of the fiscal countermeasures of China, Germany, the United Kingdom, Australia, Thailand, Canada and the United States in response to COVID-19, and make a further improvement of the mechanism of fiscal countermeasures related to the epidemic in China from three aspects: the categories, the strength and the system of tax policies.

SUMMARY: 1. Summary and Analysis of Chinese Fiscal and Tax Law Countermeasures against COVID-19 – 2. Brief Summary of Other Countries' Fiscal and Tax Law Countermeasures against COVID-19 – 3. Comparative Analysis of Fiscal and Tax law Countermeasures against COVID-19 in Different Countries– 4. Conclusion

The impact of COVID-19 on the world economy is unprecedented and dramatic. From the demand side to the supply side, from domestic to international, and from the local to the overall, the epidemic's shock oscillate back and forth between various sectors and segments, and its impact gradually spread to the entire economic system.

Unlike natural disasters that damage tangible assets, the impact of COVID-19 is more about disrupting the orderliness of social production and business activities. The impact of the epidemic on the economy is first reflected in both the sudden drop in demand in the catering, tourism, passenger transportation and other service sectors, and the lack of supply due to production stagnation. Subsequently, a series of adverse effects are transmitted abroad via the trade sector. Along with deteriorating financial liquidity and deferred investment, depressed demand and supply chain disruptions in overseas markets can further backfire on the domestic economy. At this point, national finance as the foundation and key pillar of national governance plays a crucial role in weakening the negative impact of COVID-19 on the economy.

1. Summary and analyze of Chinese fiscal and tax law countermeasures against COVID-19

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Since the outbreak of COVID-19, the Chinese government has always put the safety and health of the people at the first place, and has taken many fiscal and tax law countermeasures. The following is a summary of the tax policies introduced by the Chinese government to combat COVID-19.

Summary of the Tax Policies Introduced by the Chinese Government to Combat COVID-19				
Policy Targets	Types of Measures	Specific Content	Name of Policy	
For Individuals	Paying Subsidies	Subsidies for the cost of treating patients with COVID-19	《财政部、国家卫生健康委关于新型冠状病毒感染肺炎疫情防控有关经费保障政策的通知》(财社〔2020〕2号) 《财政部关于进一步做好新型冠状病毒感染肺炎疫情防控经费保障工作的通知》(财办〔2020〕7号)	
		Work Subsidies for medical personnel and epidemic prevention workers involved in the prevention and control work	《国务院办公厅转发国家卫生健康委、人力资源社会保障部、财政部关于改善一线医务人员工作条件,切实关心医务人员身心健康若干措施的通知》(国办发〔2020〕4号) 《关于全面落实进一步保护关心爱护医务人员若干措施的通知》(国发明电〔2020〕5号) 《国务院应对新型冠状病毒感染肺炎疫情防控联防联控机制关于聚焦一线贯彻落实保护关心爱护医务人员措施的通知》(国发明电〔2020〕10号)	
		Preferential tax policies for individual income tax	《财政部、税务总局关于支持新型冠状病毒感染的肺炎疫情防控有关个人所得税政策的公告》(财政部、税务总局公告2020年第10号)	
		Employees affected by the epidemic are eligible for housing fund stage support	《住房和城乡建设部、财政部、中国人民银行关于妥善应对新冠肺炎疫情实施住房公积金阶段性支持政策的通知》(建金〔2020〕23号)	
	Tax Preferential	Ensure all social insurance benefits are paid in full and on time	《人力资源社会保障部、财政部、税务总局关于阶段性减免企业社会保险费的通知》(人社部发〔2020〕11号)	
		Increase interest subsidy support for business start-up loans for individuals and enterprises affected by COVID-19	《财政部关于支持金融强化服务,做好新型冠状病毒感染肺炎疫情防控工作的通知》(财金〔2020〕3号)	
		Financial Support	Optimize financing guarantee services for enterprises affected by COVID-19	《财政部关于支持金融强化服务,做好新型冠状病毒感染肺炎疫情防控工作的通知》(财金〔2020〕3号) 《财政部、发展改革委、工业和信息化部、人民银行审计署关于打赢疫情防控阻击战强化疫情防控重点保障企业资金支持的紧急通知》(财金〔2020〕5号) 《财政部办公厅关于加快拨付贴息资金强化疫情防控重点保障企业资金支持的补充通知》(财办金〔2020〕13号)
			Financial support for air transport enterprises	《财政部、民航局关于民航运输企业新冠肺炎疫情防控期间资金支持政策的通知》(财建〔2020〕30号) 《关于印发〈通用航空发展专项资金管理暂行办法〉的通知》(民航发〔2012〕111号)
	For Enterprises	Tax Preferential	Tax incentives for epidemic prevention and control key protection enterprises and enterprises in transportation, catering, accommodation, tourism and other industries affected by the epidemic	《财政部、税务总局关于支持新型冠状病毒感染的肺炎疫情防控有关税收政策的公告》(财政部、税务总局公告2020年第8号)
			Support individual business and small and micro enterprises to resume work and business	《财政部、税务总局关于支持个体工商户复工复业增值税政策的公告》(财政部、税务总局公告2020年第13号)
Government Procurement		Preferential tax policies to encourage donations from the community	《财政部、税务总局关于支持新型冠状病毒感染的肺炎疫情防控有关捐赠税收政策的公告》(财政部、税务总局公告2020年第9号)	
		Tax exemptions introduced for imported materials donated for epidemic prevention and control	《财政部、海关总署、税务总局关于防控新型冠状病毒感染的肺炎疫情进口物资免税政策的公告》(财政部、海关总署、税务总局公告2020年第6号)	
		Administrative fees and government funds relief policy	《财政部、国家发展改革委关于新型冠状病毒感染的肺炎疫情防控期间免征部分行政事业性收费和政府性基金的公告》(财政部、国家发展改革委公告2020年第11号)	
		Phased reduction of enterprise social insurance premiums	《人力资源社会保障部、财政部、税务总局关于阶段性减免企业社会保险费的通知》(人社部发〔2020〕11号)	
		Government procurement measures to support the resumption of work and production of enterprises	《财政部关于支持企业复工复产做好应对新型冠状病毒感染的肺炎疫情防控所需医疗物资生产供应的通知》(财办〔2020〕8号)	

(Table 1)¹³⁸

By analyzing the above policy elements, it can be summarized that the Chinese government has played its role in combating the COVID-19 with fiscal and tax laws mainly from the following aspects.

First, protect resources for epidemic prevention and control and play the role of government underwriting. During the special period of epidemic prevention and control, financial resources are coordinated and integrated into the medical and health sector through measures such as granting subsidies for the cost of treating patients with the COVID-19 and temporary work subsidies for medical personnel and epidemic prevention workers who participate in the prevention and control work. At the same time, in order to reduce the production and marketing pressure of enterprises, to protect the supply of medical supplies, medical masks, medical anti-clothing and other epidemic prevention and control materials are acquired by the state financial underwriting.

Second, maintain social stability and safeguard people's livelihood and well-being. The government has made great efforts to maintain the basic livelihood and social stability through measures such as support for housing provident funds and phased reduction of social insurance premiums for workers affected by the epidemic and other livelihood-type relief measures to provide important protections for the prevention and control of the epidemic.

Third, encourage enterprises to resume work and production and restore the market trading mechanism. Enterprises are the basic cells of the economy, and maintaining their survival is the key to combating the impact of the epidemic while safeguarding the financial investment of medical resources. Revitalizing enterprises through tax policies is carried out in the following three main paths:

(1) Provide financial support by the Central government. Financing is a key factor in the development of small and medium-sized enterprises. By providing financial support from the central government, optimize the financing guarantee services for enterprises affected by COVID-19, so as to reduce the financing costs of enterprises and ease the financial pressure of business entities during the epidemic.

(2) Expand the scope of corporate tax incentives. Further tax incentives are introduced to reduce the burden of enterprises in the transportation, catering, accommodation and tourism industries, which are the key protection enterprises for epidemic prevention and control and are affected by the epidemic. Besides, support the research and development of epidemic prevention and control products through administrative fees and government fund exemption policies.

(3) Promote government procurement support measures. The internet-based electronic procurement platform promotes the government direct procurement of materials from enterprises to ensure the normal operation of corporate production activities.

Fourth, encourage public welfare donations and show humanistic care. Tax incentives are an important measure to guide enterprises and the public to donate. Stable and standardized tax preferential policies for public welfare donations are an important guarantee to stimulate enterprises to take social responsibility and promote the healthy development of the social charity. To encourage and support the development of public welfare donations related to epidemic prevention and control, the Chinese government has introduced a series of tax preferential policies involving corporate income tax, personal income tax, value-added tax, consumption tax, customs duty, urban maintenance and construction tax, education surcharge,

¹³⁸ Source of information acquisition :

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5145868/content.html>

local education surcharge and many other tax types, which highlights the firm attitude of encouraging public welfare donations under the epidemic and helps to form a good culture in the whole society to fight against COVID-19.

Fifth, stimulate the economy and expand demand. Stimulating the demand side is the key to boosting the economy in the post-epidemic era¹³⁹. Increase investment efforts, optimize the investment structure, and focus on making up for the shortcomings in the health care system and basic public services exposed by COVID-19. At the same time, rely on construction projects with high technological content and good market prospects to cultivate new economic growth points. After the basic recovery of domestic economic activities, gradually promote the recovery of foreign trade. Focus on helping export enterprises to resume work and production and helping them to ease their business difficulties.

According to the news released by the Chinese State Administration of Taxation, in the first three quarters of 2020, China's national total new tax cuts and fee reductions amounted to ¥1,783.4 billion. As an early country affected by the epidemic, the Chinese government adopted a series of anti-epidemic tax and fee preferential policies which effectively stopped the spread of the epidemic, helped the smooth operation of the economy and society and played a better international demonstration role.

2. Brief summary of other countries' fiscal and tax law countermeasures against COVID-19

Because COVID-19 is a global problem, other countries are also actively exploring tax treatment options. The following is a review of other countries' tax policies related to COVID 19.

From a global perspective, in order to cope with the epidemic and recover the economy, several countries have introduced active fiscal policies to stimulate the economy, and mostly follow the principle of increasing fiscal spending and reducing the tax burden.

In terms of specific tax preference, a number of countries implement direct tax breaks to regulate the impact of COVID-19 on their economies. In Germany, taxpayers affected by this epidemic have tax breaks if their estimated income is lower this year than last year until December 31¹⁴⁰. The United Kingdom also introduces policies that eliminate customs duties and VAT on certain non-EU pharmaceutical products for national health care providers, and remove the customs duties which up to 12% of the price of goods to facilitate the flow of more important materials to the U.K.¹⁴¹.

Some countries delay or reduce the tax burden incurred by taxpayers by relaxing tax credits, pre-tax deductions and other related policies. Australian government increases the percentage of pre-tax deduction and the limit of loss credit to reduce the actual tax basis of taxpayers and thus reduce the tax burden¹⁴². In addition, Thai government increases to 150% for excess pre-tax deduction for loan interest incurred by small and medium-sized enterprises. And

¹³⁹ 刘安长,“新冠”疫情对我国的经济冲击及财政的对冲政策——“非典”疫情下的对比分析, []:兰州学刊, 2020(04):59-70.

¹⁴⁰ Source of information acquisition :

<https://www.bundesfinanzministerium.de/Web/DE/Themen/Schlaglichter/Corona/VollstaendigeListe/vollstaendige-liste.html>

¹⁴¹ Source of information acquisition : <https://www.gov.uk/coronavirus>

¹⁴² Source of information acquisition : <https://treasury.gov.au/coronavirus/resources>

some enterprise employees' salaries during the severe epidemic can be deducted at 300% of the excess before tax¹⁴³.

Distribute subsidies to increase the real disposable income of taxpayers are also a measure taken by many countries to mitigate the impact of the epidemic. Canada provides special payments for low-and moderate-income households through a tax credit for goods and services and average additional benefits nearly \$ 400 for singles and \$600 for couples¹⁴⁴. The United States government offers tax refunds to residents and taxpayers don't need to go through other process to receive their refund checks. The federal Internal Revenue Service (IRS) determined the amount of the refund based on the "Adjusted Gross Income (AGI)" on the taxpayer's last year tax return, which is effectively a benefit in the form of a tax refund¹⁴⁵.

3. Comparative analysis of fiscal and tax law countermeasures against COVID-19 in different countries

Through comparing China and other countries mentioned above, it can be seen that there are both similarities and differences in the tax policies of countries in response to COVID-19. At the last part, it's a comparative analysis of international tax countermeasures against COVID-19 from three perspectives.

3.1 The categories of tax policies

From the viewpoint of the tax policies of various countries in response to the public health emergencies, especially in response to this epidemic, countries mainly focus on the introduction and implementation of tax preferential policies, involving tax base, tax rate and tax amount preference. The reasons why tax preferential policies are popular in these countries during COVID-19 are related to the consideration of relatively easy to implement tax incentives and directly reduce the tax burden for the taxpayers.

3.2 The strength of tax policies

Looking at the strength of tax policies in response to public health emergencies around the world, it can be seen that tax incentives have generally begun to be spread more vigorously which causes the real income of enterprises and individuals to increase.

Obviously, in many policies, some countries have greater preferential efforts than China, whose desire to reduce the burden of taxpayers and restore the economy is very urgent, such as above-mentioned Thailand. For companies that meet the conditions, employees' salaries during the severe epidemic can be deducted at 300% of the excess before tax. This deduction ratio is very high. In comparison, the Chinese government provides relatively modest fiscal relief to small and medium-sized enterprises. In the context of the Chinese national situation, the Chinese government may also learn a bit from foreign short-term tax incentives of great strength for taxpayers who bear more economic losses and for the purpose of increasing the available funds. According to the situation of different industries affected by the epidemic in different periods, the Chinese government can flexibly and dynamically adjust the strength of tax incentive policies.

3.3 The system of tax policies

From the perspective of systems of tax policy, few countries in the world currently have established an independent emergency response system of tax policy for public health

¹⁴³ Source of information acquisition : <https://www.mof.go.th/th/home>

¹⁴⁴ Source of information acquisition : <https://www.canada.ca/en/department-finance/economic-response-plan.html>

¹⁴⁵ Source of information acquisition : <https://home.treasury.gov/policy-issues/cares>

emergencies. Nowadays, tax policies are more of a fragmented state. Countries introduce temporary tax policies according to the changes of the epidemic situation, but fail to form a systematic system of epidemic tax countermeasures. Although the Chinese government has introduced many effective fiscal and tax law policies, they are still mostly departmental normative documents at the level of policy not at the level of the law, and their effectiveness is relatively low. There is still room for improvement and enhancement in the legal governance of taxation.

Measures of long-term significance to the epidemic can be elevated to law level, approved by the National People's Congress, and stipulated in the corporate income tax law and the personal income tax law. Meanwhile, the State Council can formulate and issue other urgent and emergency policies. Thus, the tax policies related to the epidemic will not be too complicated and fragmented but be more convenient for taxpayers to apply for tax benefits.

4. Conclusion

In summary, both China and other countries around the world have made positive fiscal and tax law responses to COVID-19. As a global challenge, countries need to learn from each other's best experiences, but also make policies that best suit their own national conditions. Through the analysis above we can see that the Chinese government has flexibly used a variety of fiscal and tax law instruments in the current fight against COVID-19, which has better contributed to the macroeconomic recovery and economic development in the epidemic situation. However, at the same time, COVID-19 has also given us an opportunity to review our own fiscal system, which has revealed policy deficiencies that require the joint efforts of generations of fiscal law experts, scholars, and students. We sincerely hope that the epidemic will pass soon and the world will have a better tomorrow.