



**FISCAL AFFAIRS**

# **Remark on the implications and policy response to COVID-19 and its aftermath**

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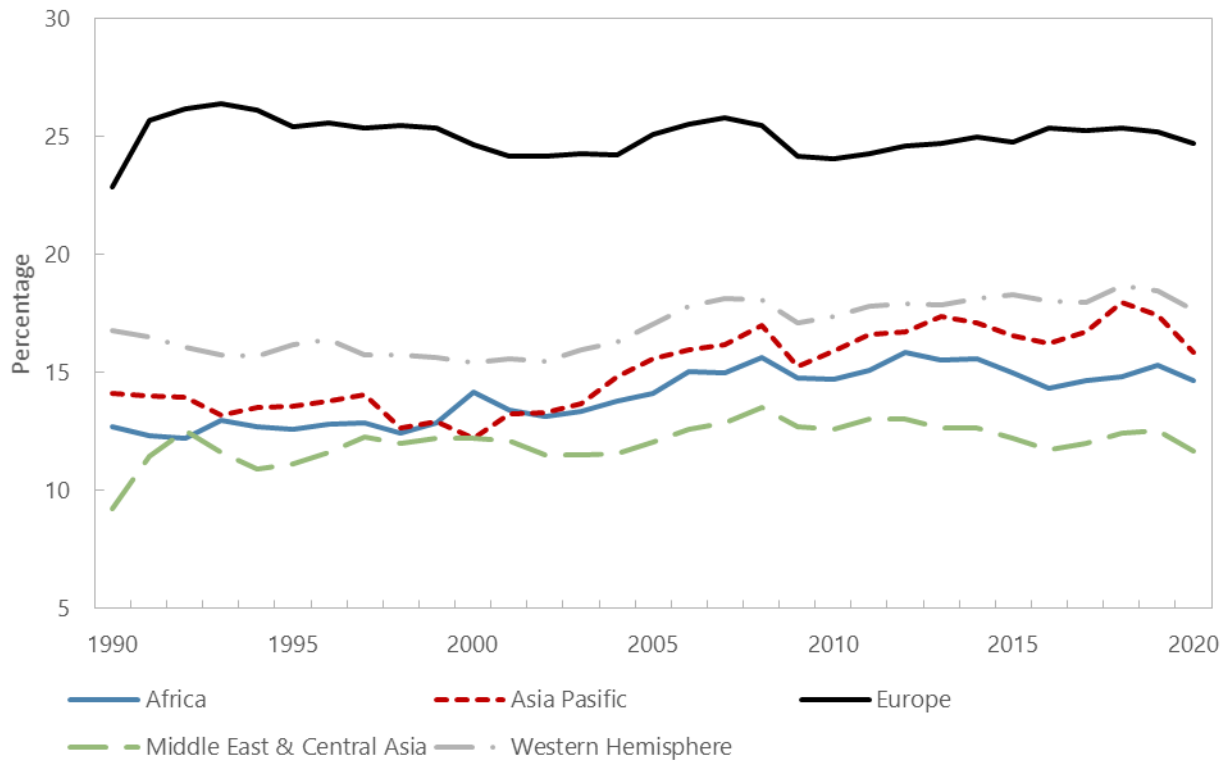
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## **Three discussion points**

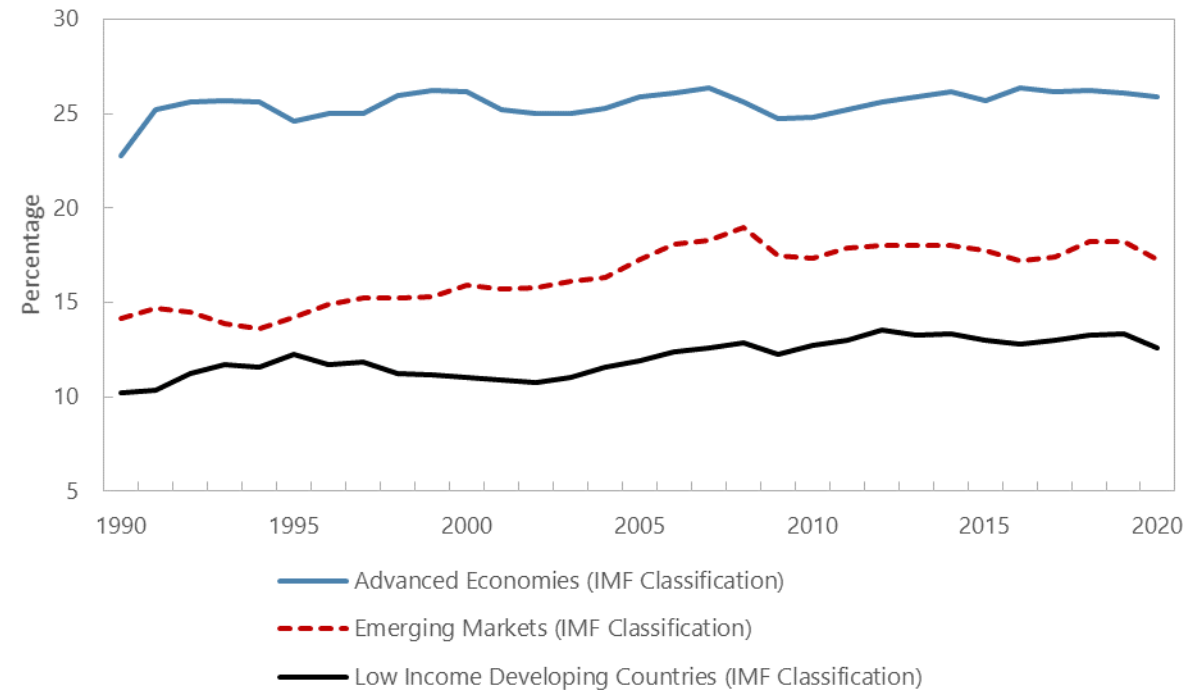
- Tax revenue implications of COVID-19
- Fiscal response to COVID-19
- What next?

# Impact of COVID-19 on tax revenue has been substantial and asymmetric...

## Tax revenue as % of GDP

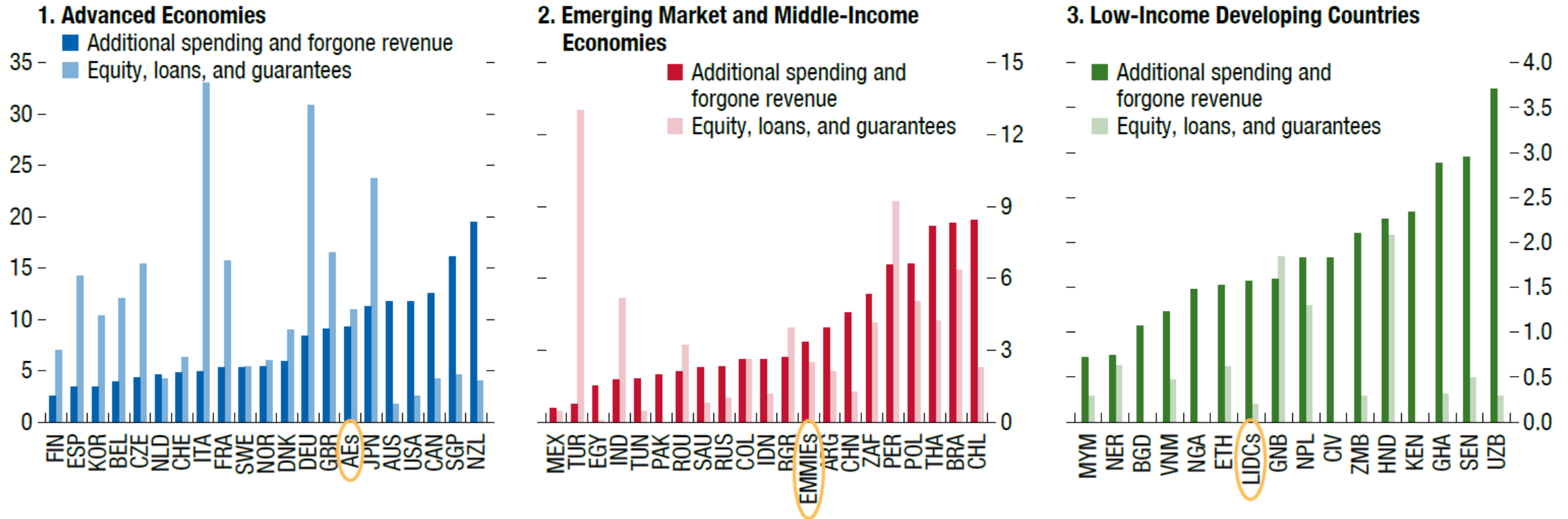


## Tax revenue as % of GDP



# ...and so has the response to COVID-19

**Figure 1.1. Discretionary Fiscal Response to the COVID-19 Crisis in Selected Economies**  
*(Announced measures as of September 11, 2020, in percent of GDP)*



Sources: *Fiscal Monitor* Database of Country Fiscal Measures in Response to the COVID-19 Pandemic (<https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>); and IMF staff estimates.

# What next?

- Pandemic is a sober reminder of the importance of “fiscal resilience” – the idea that countries should have a plan to react to shocks and that elements of such plans should be built into tax and spending systems
- From a taxation perspective:
  - Some countries will have to raise more revenue, in very difficult political environments where citizens’ trust in policymakers has been shaken
  - An opportunity to build better and more resilient tax system?
  - What should be the guiding principles – equity (of income and wealth), environment, inclusiveness or a participative approach to tax policy making, etc?
  - There is a parallel to the 2008 crisis, when revenue recovered to pre-crisis level only, but tax design changed