



Tax Policy Responses to COVID-19

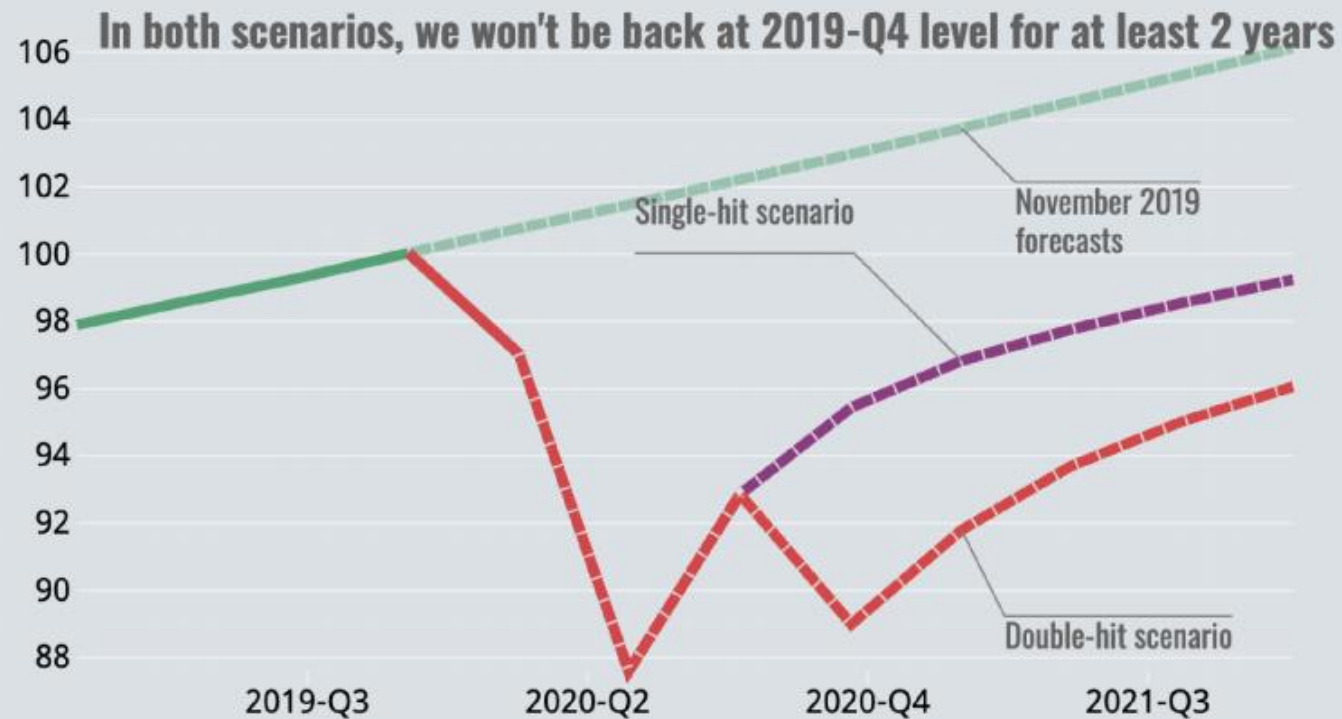
June 2020



WHAT COULD THE RECOVERY LOOK LIKE?

A collapse in output followed by a slow recovery

World GDP, index 2019-Q4=100

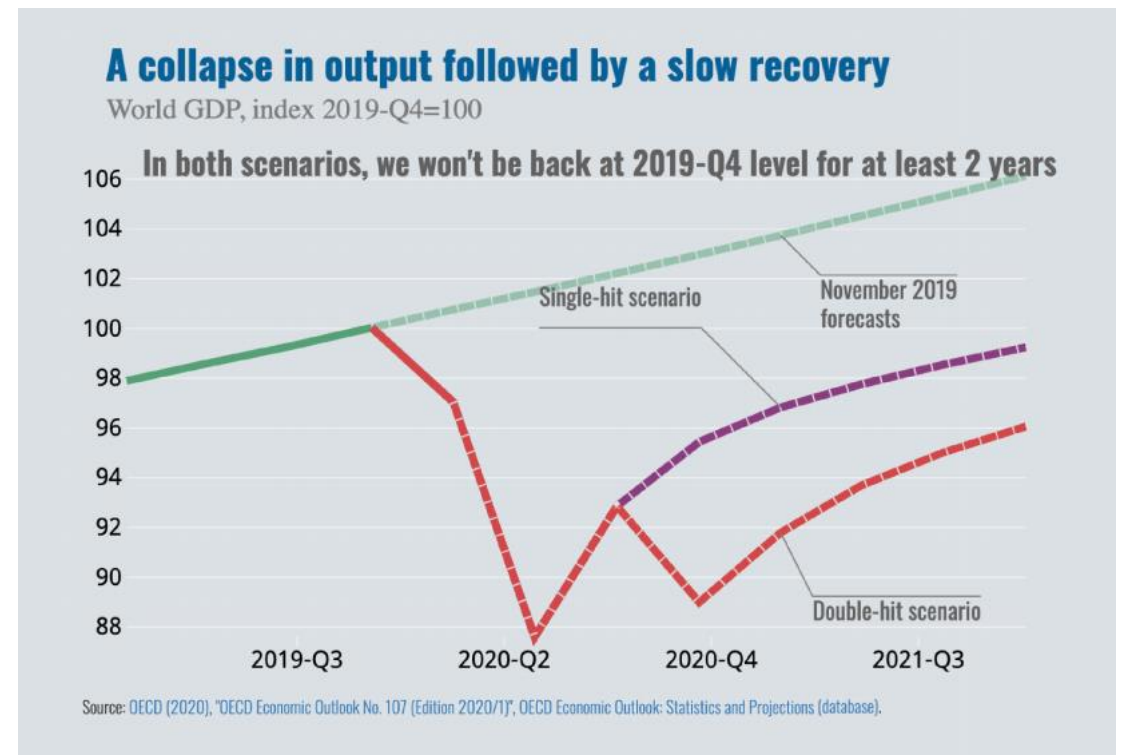


Source: OECD (2020), "OECD Economic Outlook No. 107 (Edition 2020/1)", OECD Economic Outlook: Statistics and Projections (database).

CHECK-IN QUESTION

Taking the world economy as a whole, by the end of 2021 I think we will have seen:

1. A single-hit scenario
2. A double-hit scenario

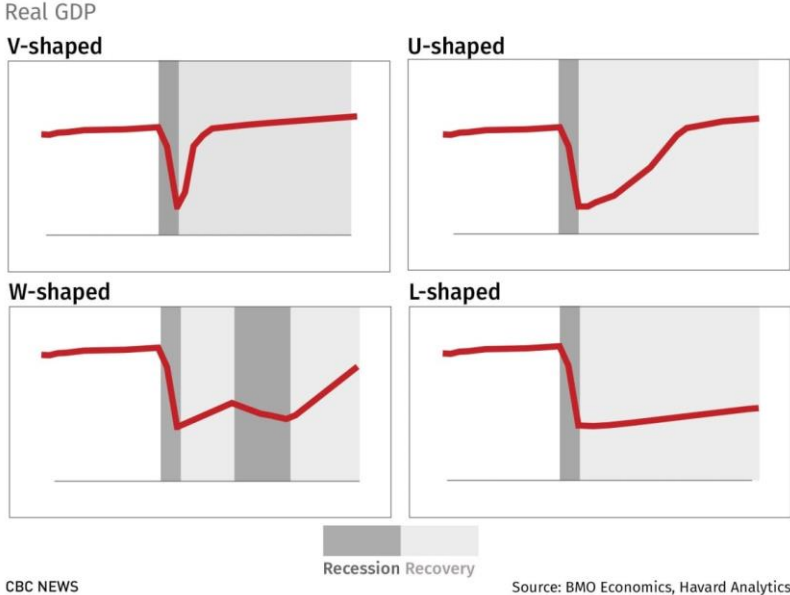


THE RESULTS WE GOT ON 7 MAY

Taking the world economy as a whole, by the end of 2021 I think we will have seen:

- 1. A V-shaped recovery 10%
- 2. A U-shaped recovery 43%
- 3. A W-shaped recovery 37%
- 4. An L-shaped non-recovery 8%

The four letters of a possible economic recovery



AGENDA

1. **Local responses: Susana Bokobo**
2. **Multilateral responses: Michael Lennard**
3. **Climate change responses: Jim Robertson**
4. **Questions & Close**

TAX POLICY RESPONSES: WHAT'S HAPPENING AT THE LOCAL LEVEL



WHAT DOES
“LOCAL” MEAN?



WHAT DOES
“RESPONSE” MEAN?



WHAT SOURCES ARE
AVAILABLE?

MEASURES USED BY COUNTRIES

ALL COUNTRIES

MEASURES TO ENHANCE BUSINESS CASH FLOW

- TAX ADMINISTRATION MEASURES:
- TAX POLICY METHODS

MEASURES TO ENHANCE HOUSEHOLD CASH FLOW

MEASURES TO SUPPORT CONSUMPTION

MEASURES TO SUPPORT INVESTMENT

MEASURES TO STIMULATE EMPLOYMENT

MEASURES TO SUPPORT HEALTH SECTOR

ENHANCED FINANCIAL RESOURCES FOR SUB-CENTRAL GOVERNMENTS

EXCEPTIONAL MEASURES TO RAISE ADDITIONAL TAX REVENUES (EXCEPTIONAL)

RESOURCE-RICH COUNTRIES

MEASURES TO ENHANCE BUSINESS CASH FLOW BUT NOT INVESTMENT (EXCEPTIONAL)

TAX POLICY SUPPORT EMPLOYMENT / CONSUMPTION (EXCEPTIONAL)

MEASURES TO SUPPORT HEALTH SYSTEM (EXCEPTIONAL)

TYPES OF TAX MEASURES

- Tax filing extension
- Tax payment deferral
- Tax filing extension and tax payment deferral
- More flexible tax debt repayments
- Enhanced tax refunds
- Accelerate or enhanced tax depreciation provisions
- CIT rate reductions
- Enhanced loss offset provisions
- Tax waivers
- Loan or guarantee scheme
- Deferral of non-wage business costs
- Subsidy of non-wage business costs
- Wage subsidy paid to the employers
- Subsidies for the self-employed
- Cash transfers for households
- Enhanced or extended eligibility for unemployment benefits
- Enhanced and/or extended eligibility of sick-pay
- Deferral of household fixed costs
- Change in VAT rates
- Reduced tax rates for bonuses, extra hours worked

TYPES OF TAXES



PERSONAL INCOME
TAX



CORPORATE
INCOME TAX



SOCIAL SECURITY
CONTRIBUTIONS



VAT AND OTHER
CONSUMPTIONS
TAXES
(EXCEPTIONAL)



NO PROPERTY TAX
AND OTHER TAXES

CONCLUSIONS

01

MEASURES
ADOPTED ARE
MAINLY SHORT-
TERM TAX
MEASURES

02

COVID -19 IS AN
UNPRECEDENTED
SITUATION THAT
NEEDED A QUICK
REACTION

03

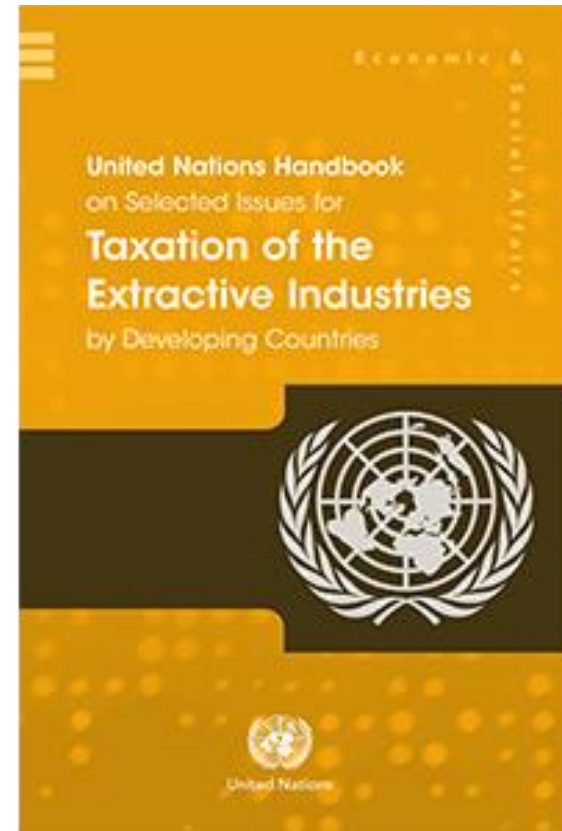
LONG TERM
SOLUTIONS
SHOULD BE
APPLIED

04

TAX POLICY
SOLUTIONS
SHOULD BE PART
OF A GREATER
ANALYSIS

UN HANDBOOK

- Overview
- Tax Treaty Issues
- Permanent Establishment Issues
- Indirect Transfer of Assets
- Transfer Pricing Issues
- The Tax Treatment of Decommissioning
- The Government's Fiscal Take
- Tax Aspects of Negotiation and Renegotiation of Contracts
- Value Added Tax



Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries

https://www.un.org/esa/ffd/wp-content/uploads/2018/05/Extractives-Handbook_2017.pdf

AGENDA

1. Local responses: Susana Bokobo
2. **Multilateral responses: Michael Lennard**
3. Climate change responses: Jim Robertson
4. Questions & Close

TAX POLICY RESPONSES: THE MULTILATERAL LEVEL

- Should you put your money on the tortoise or the hare?
 - Or have a little on each?
 - Speed versus resilience?
 - Does “certainty” = “uncertainty”?
 - Power to the people?
- Has the current crisis and the move to video meetings made multilateralism easier or harder for new global tax rules:
 - Who are the winners and losers and what does it portend?
 - Who sets the agenda, drafts, attends, administers, interprets and decides, and what does it mean?
 - Who bears the costs of complexity – and who thinks they do?
 - How many pillars make it an epic?
- Better, swifter, up to date and responsive multilateralism - a Siren’s song?

TAX POLICY RESPONSES: THE MULTILATERAL LEVEL

Other options

- OECD and other Secretariat Guidance?
 - The value of such guidance
 - The inherent limitations and the spaces in between: “usual”, “normal”; when work from “home” becomes the norm; when travel is difficult and risky but allowed, when double non-taxation is risked etc?
- Platform for Collaboration on Tax?
- Regionalism, e.g. ATAF?
- Unilateralism and Multilateralism as a continuum?

TAX POLICY RESPONSES: THE MULTILATERAL LEVEL

- Some possible lessons of Covid-19
 - The experiences of unilateralism and multilateralism?
 - The interconnected world for good and ill?
 - Whole of government approaches?
 - Is overreaction less risky politically than underreaction?
 - Interim imperfect and “blunt” measures - Oscar or Razzie?
 - How much certainty in an uncertain world?
 - Are contact-limited businesses self-ring fencing?
 - Time as sower and reaper?
- Climate Change, Multilateralism and Tax?

AGENDA

1. Local responses: Susana Bokobo
2. Multilateral responses: Michael Lennard
3. **Climate change responses: Jim Robertson**
4. Questions & Close

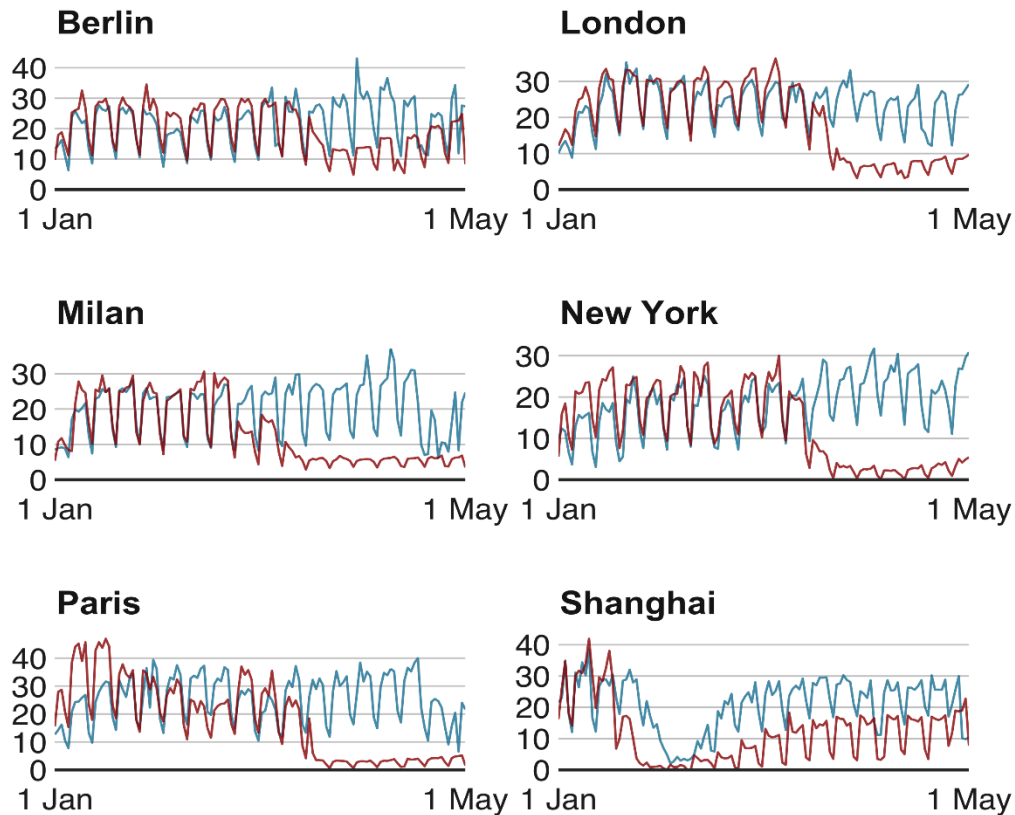


WHAT'S HAPPENING AT THE PLANETARY LEVEL

Traffic flows in selected cities

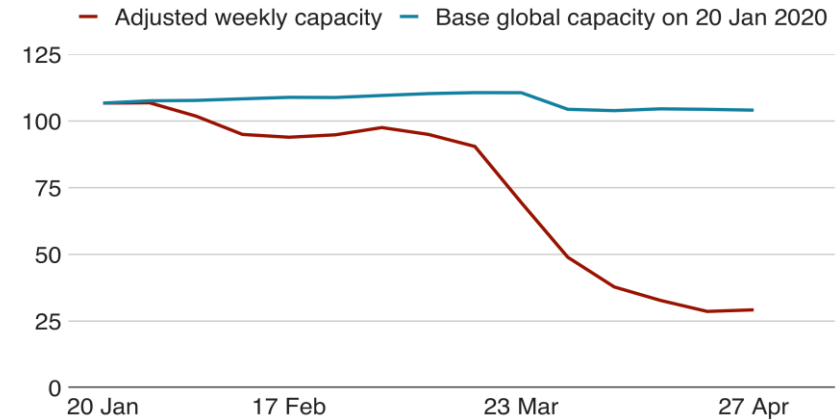
Average congestion per day

— 2019 — 2020



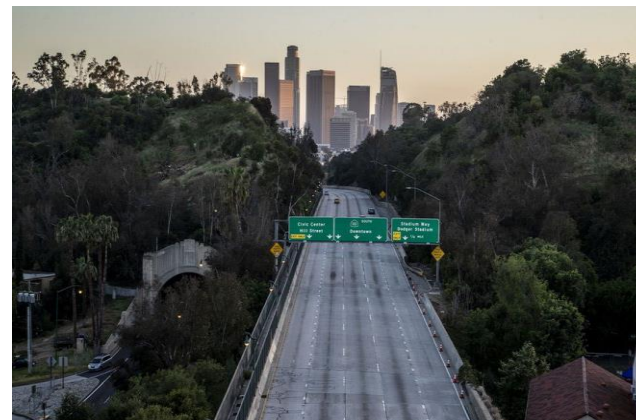
Airline capacity hit by coronavirus

Scheduled seats (millions)



Source: OAG

BBC

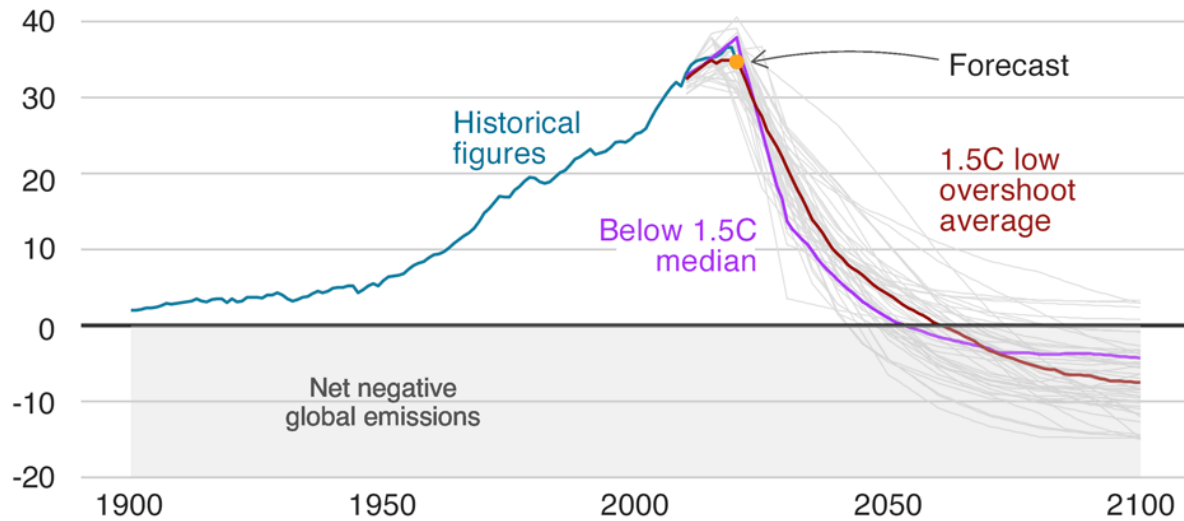


Source: TomTom, 5 May 2020

BBC

IS THE SLOWDOWN ENOUGH TO SAVE THE PLANET?

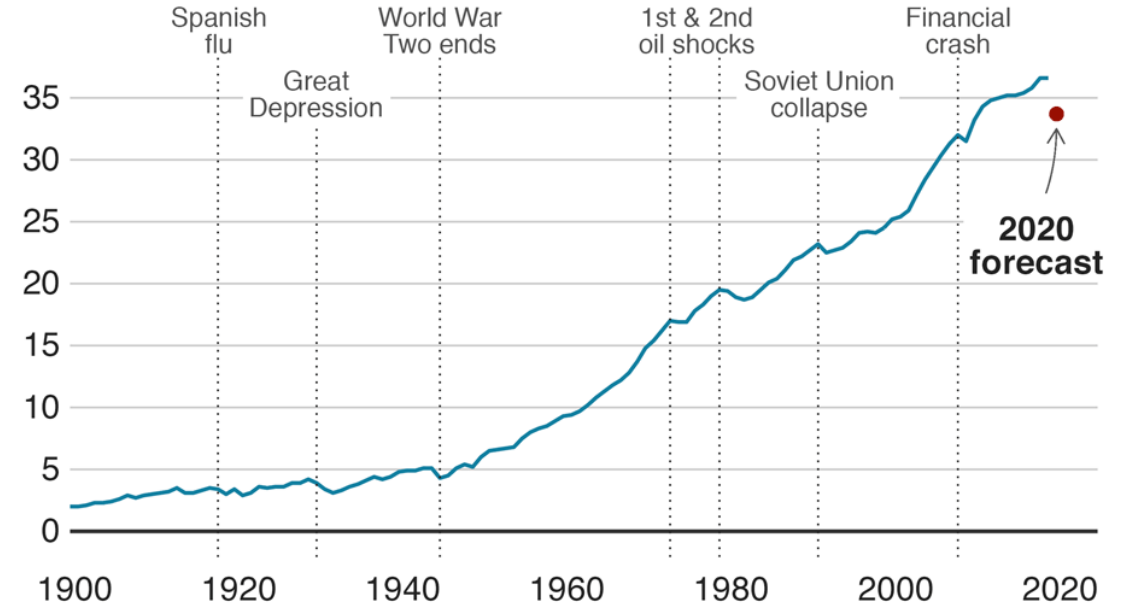
Keeping temperature rise to 1.5C



Source: Glen Peters, IAMC, IIASA

Global CO2 emissions, 1900-present

Billion tonnes of CO2 per year



Source: Global Carbon Project, CDIAC & IEA

BBC

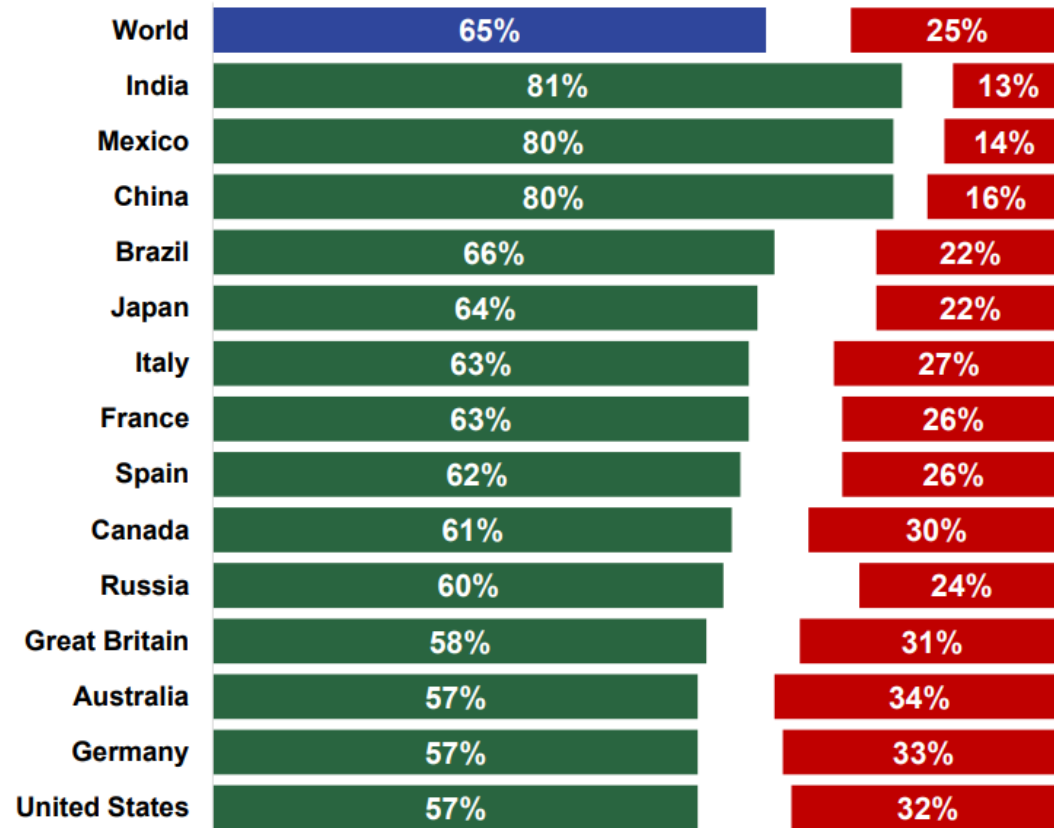
ACCELERATION OF THE GREEN AGENDA: FACTORS TO CONSIDER

Create jobs by public spending on low carbon infrastructure.
Remote working is here to stay: less business travel.
Supply chains domesticated or repatriated.
Market is now pricing in climate risks.
Low fossil fuel prices could be an opportunity to reduce fuel subsidies and/or impose higher fuel duties.
Green taxes may be the least unacceptable way of rebuilding public finances.

Position of resource-dependent countries?
Fuel poverty considerations?
Does the public care if the fossil fuel industry is in trouble?
Winner of US presidential election?
Green agenda led by public or private sector?
COVID-19 precedent for massive government intervention and being guided by science?
What form might carbon pricing take?

Climate change deniers and sceptics.
Economic recovery will require all forms of energy.
Coal investment by China and India.
Low fossil fuel prices could slow substitution by renewables.
Governments have no money to spend to incentivise removal of dependence on fossil fuels.

PLENTY OF PUBLIC SUPPORT...



■ Strongly agree/tend to agree ■ Tend to disagree/strongly disagree



To what extent do you agree or disagree with the following:
In the economic recovery after Covid-19, it's important that government actions prioritize climate change.

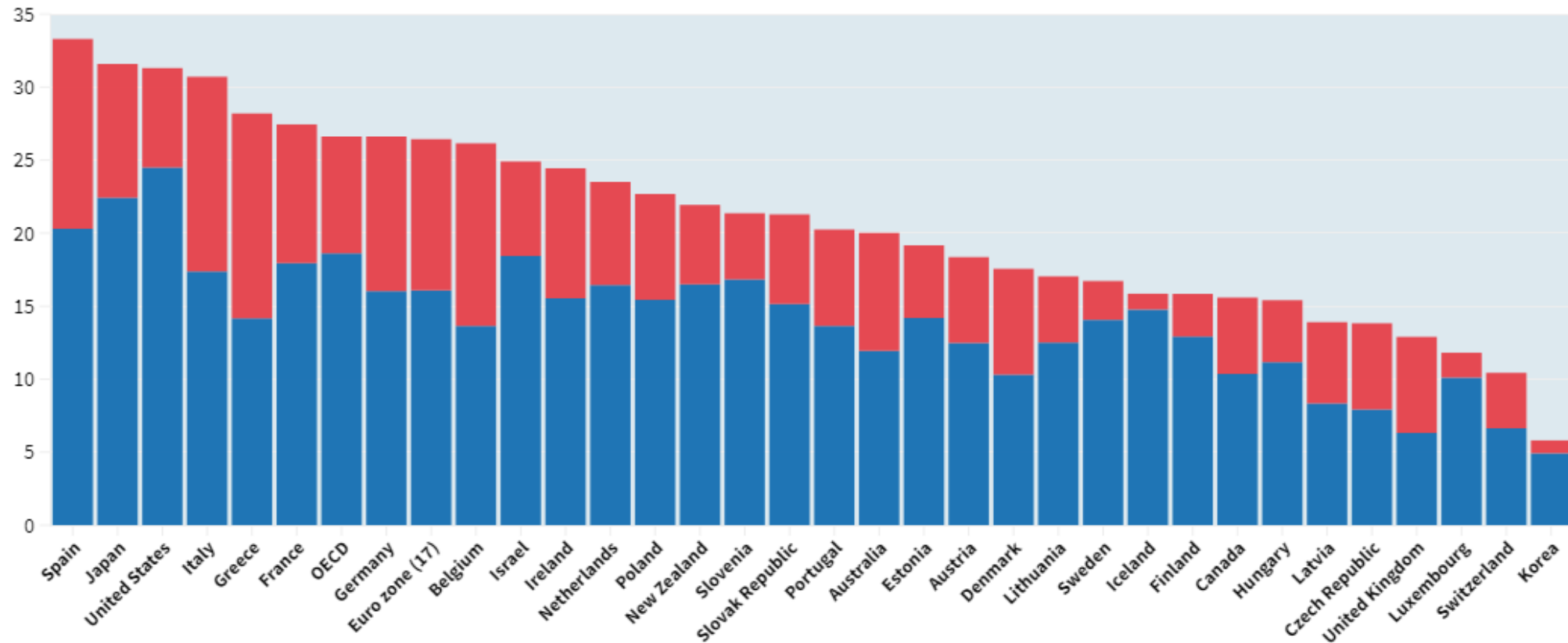


...BUT NO PUBLIC MONEY

Public debt projections, 2019-21

Change in % points of GDP

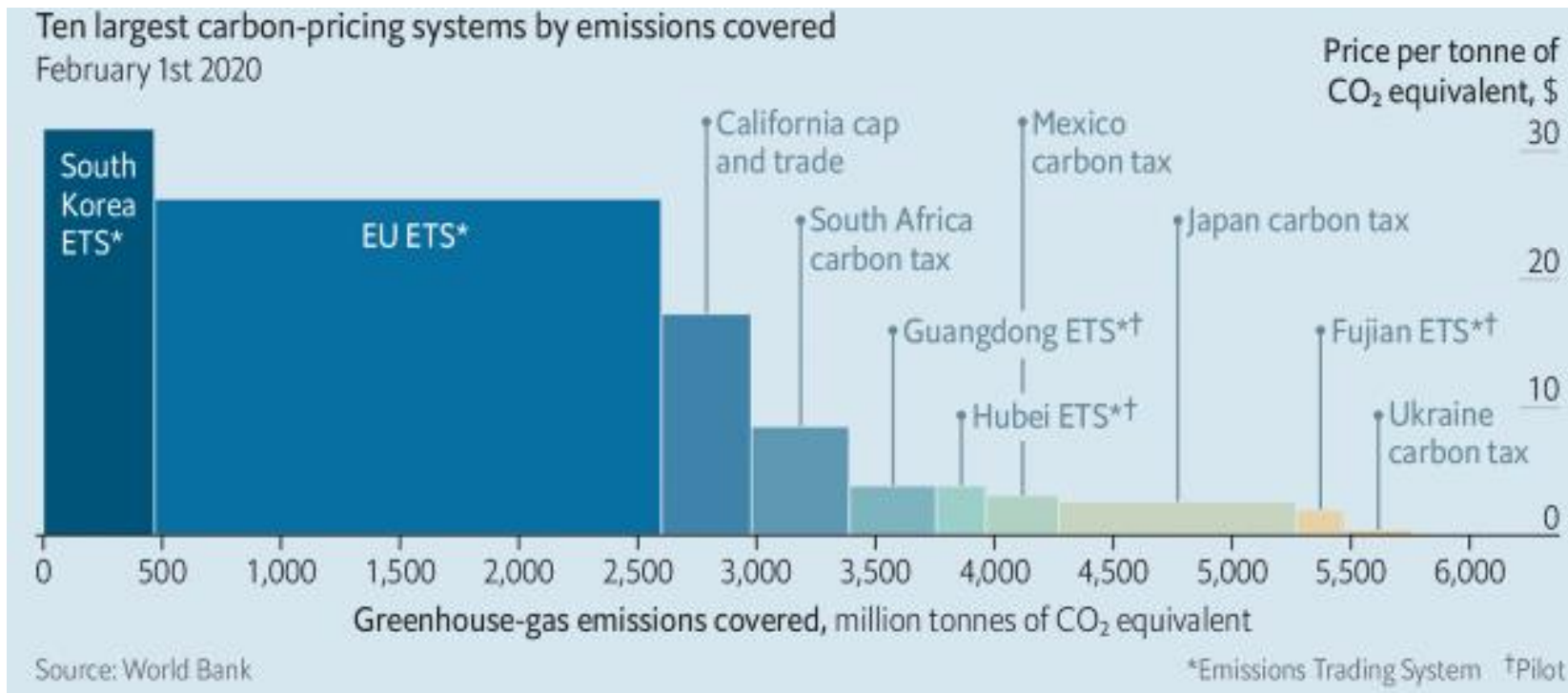
■ Single-hit scenario ■ Additional impact from double-hit scenario



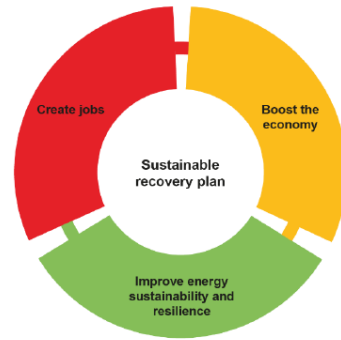
DON'T WASTE A CRISIS? CARBON PRICING

“If economists ruled the world, carbon prices would drive most of the action on climate change. Polluters would pay for the negative externality their emissions inflict on the planet. There might be differences on the method of payment—some might lean more towards taxes, others towards the permits used in “cap and trade” schemes. But the idea that some sort of price would help people find an efficient means of reducing emissions is a given.”

The Economist, 23 May 2020



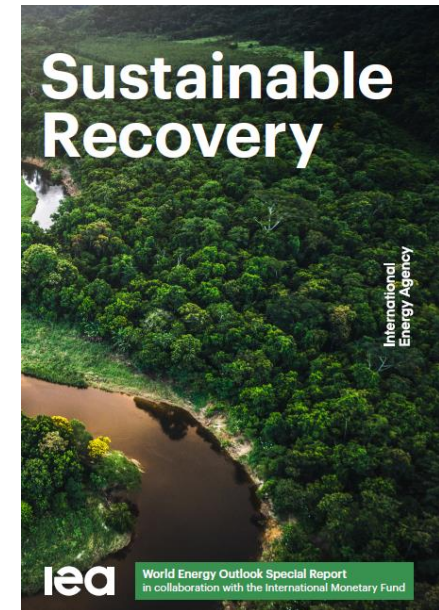
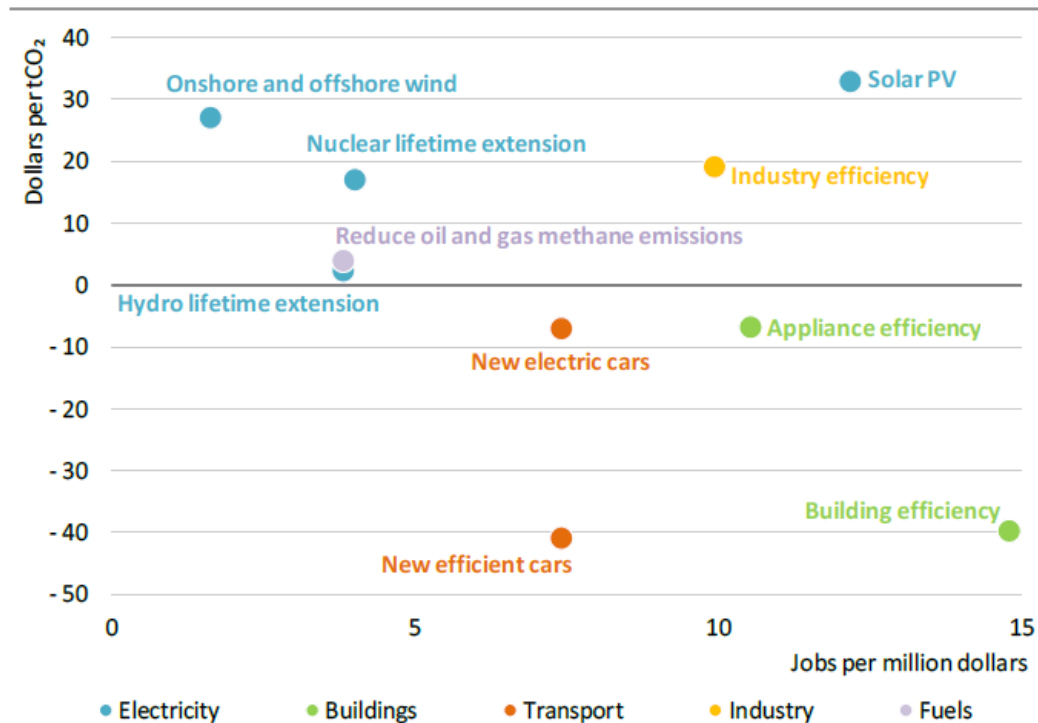
BREAKING NEWS: IEA SUSTAINABLE RECOVERY REPORT



“The Sustainable Recovery Plan is not intended to tell governments what they must do. It seeks to show them what they can do. Whether countries choose to follow the measures laid out in the plan remains their sovereign choice. Our plan – a combination of policy actions and targeted investments – offers a hugely encouraging picture of what the world can achieve despite the tremendous difficulties we face today.”

	Timeliness	Near-term employment effects*	Provision of jobs for displaced workers	Long-term benefits	Current cost effectiveness of emissions reductions*
Electricity					
Expand and modernise grids	●	●	●	●	●
Wind and solar PV	●	●	●	●	●
Lifetime extensions of nuclear and hydro power	●	●	●	●	●
New unabated gas	●	●	●	●	●
New unabated coal	●	●	●	●	●
Transport					
New electric and high efficiency cars	●	●	●	●	●
High-speed rail	●	●	●	●	●
Urban infrastructure	●	●	●	●	●
Buildings					
Retrofits and more efficient new buildings	●	●	●	●	●
Appliance efficiency	●	●	●	●	●
Clean cooking	●	●	●	●	●
Fuels					
Reduce methane from oil and gas operations	●	●	●	●	●
Reform inefficient fossil fuel subsidies	●	●	●	●	●
Biofuels	●	●	●	●	●
Industry					
Efficiency	●	●	●	●	●
Material efficiency	●	●	●	●	●
Innovation					
Hydrogen	●	●	●	●	●
Batteries	●	●	●	●	●
CCUS	●	●	●	●	●
SMRs	●	●	●	●	●

● Good match ● Neutral match ● Poor match



IEA Sustainable Recovery Report, 18 June 2020

POLLING QUESTION: MULTIPLE CHOICE

Within the next two years, I think we will see widespread:

1. Carbon pricing, via either tax or cap & trade
2. Direct public spending on low carbon infrastructure
3. Incentives to the private sector to invest in low carbon projects, including CCUS & DAC
4. Revision of fiscal terms to maintain viability of existing oil & gas projects
5. Movement of jobs from the extractives industry to the renewables industry
6. Economic recovery, boosting demand and prices for all forms of energy

LOOKING GREEN



Pope Francis meeting with BP, Chevron, ConocoPhillips, ENI, Equinor, ExxonMobil, Repsol, Sinopec & Total, Vatican City 14 June 2019:
Climate change threatens the future of the human family.

President Sahle-Work Zewde of Ethiopia, UN 26 September 2019:
I must re-emphasize the critical importance of funding for climate change adaptation and mitigation. To reach the 840 million people in need requires very considerable and sustainable commitment from all sources.



UN Secretary-General Antonio Guterres, Petersberg Climate Dialogue 28 April 2020:
Where taxpayers' money is used to rescue businesses, it must be creating green jobs and sustainable and inclusive growth. It must not be bailing out outdated, polluting, carbon-intensive industries.

AGENDA

1. **Local responses: Susana Bokobo**
2. **Multilateral responses: Michael Lennard**
3. **Climate change responses: Jim Robertson**
4. **Questions & Close**

THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

1. Have a Good Answer to “How Did You Help During the Great Pandemic?”

- *Quantify what you did for your employees, customers, community & nation*
- *Identify stakeholders who will help tell your story in the months ahead*

2. Leverage the Opportunity to Build a Better Business

- *Become more disruption-resilient via cloud, mobile, telework tools & telehealth benefit*
- *Harden systems against hacking, ransomware, supply chain disruptions*

3. Have Credible Solutions to the New Major Challenge

- *What will grow employment, increase resilience or save money?*
- *Engage policymakers soon (while they're home and eager to get to work)*

4. Prepare to Engage Reformers on the Systemic Failures Exposed

- *What do 21st century safety nets need to look like, and how do we pay for them?*
- *How to enable inclusive growth that leverages & helps focus market forces?*

5. Think Globally, Act Locally

- *Diversify supply chain optionality while defending trade & global engagement*
- *Lead by example in supporting global institutions aimed at shared challenges*