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As the coronavirus (COVID-19) continues to spread globally, governments worldwide are trying to figure out the best way to bolster the slowing economy. Led by China and now Europe, that involves tax filing and payment extensions and even temporary rate reductions. In the worst-hit countries, such as Italy, tax offices have been closed down. Other nations, including the U.S., are just beginning to respond but face reduced options without a federal sales tax.

The Global Response — Turning to Value-Added Tax

At least 30 countries across the globe have turned to Value Added Tax (VAT) measures

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population. And countries like Vietnam, South Korea, and Thailand are implementing consumption tax relief for specific industries and products. Beyond Asia, we are also seeing similar measures being taken across Europe. For example, Ireland, Sweden, and Germany are waiving interest on late payments for VAT. Almost all European countries have canceled ongoing tax audits.

As the virus has headed toward peak levels in Italy and Spain, they have been forced to close their tax offices and put indefinite postponements on public contact.

VAT is used in 170 countries around the world and is a popular option for governments in need of an economic stimulus since it can be adjusted quickly to boost cashflows and spending immediately. There are a number of ways VAT can be used to stimulate economies, including:

- Rate cuts—VAT cuts provide limited benefit to factors that can positively impact struggling economies, like consumer spending.
- Payment holidays and breaks—These measures allow businesses a longer time to remit VAT they have collected, which has proven to be an effective way to leverage governments' low cost of borrowing in favor of businesses.

The U.S. Tax Response

To date, the U.S. response to COVID-19 relief has been primarily focused on federal tax relief. On March 14, the House passed the Families First Coronavirus Response Act ([H.R. 6201](#)), which would provide paid sick leave and free coronavirus testing, expand food assistance and unemployment benefits, and require employers to provide additional protections for health care workers.

At the state level, numerous states have announced tax relief for businesses and individuals impacted by COVID-19, including filing extensions as well as interest and

penalty waivers for a host of taxes, including lodging tax and sales and use tax.

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many local governments process sales tax using paper and checks, so if there is any disruption to the mail delivery service there will also be a residual effect on returns and payment delivery.

Fortunately, due to the adoption of automation technology across businesses and at the state level, many businesses are able to file and states are able to receive returns and payments electronically, which can be done remotely. The ability to avoid tax collection disruptions will be critical for state and local governments since they are at the forefront of government responses to the virus, and will need the incoming tax revenue to cover the costs of their response.

As we move forward, we can expect more governments to turn to indirect tax relief in an effort to lessen the economic impact of COVID-19 on our global community.

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