

# COVID-19 Tax and legal measures

April 2020

The Federal Council decided on 20 and 25 March 2020 to cushion the economic impact due to the spread of the COVID-19 virus is a comprehensive package of measures. Whose goal is to maintain employment and to secure wages to cushion drastic financial consequences for self-employed to avoid liquidation bottlenecks of companies and prevent bankruptcies.

Together with previous decisions including the package of measures totaling CHF 42 billion in addition to emergency aid in the form of loans, payment deferrals and the temporary waiver of interest on late social security contributions and for different types of taxes. Some cantons have also already announced measures in connection with the cantonal and municipal taxes. The canton Valais has announced that companies in the financial statements in 2019, an extraordinary provision of 50% of net profit, but a maximum of CHF 300,000 can make. The Canton train is considering, among others, even a temporary reduction in the canton tax base from 82% to 78% for the years 2021-2023.

adapted to the market development. Loans between CHF 500,000 and CHF 20 million to be paid out after a rudimentary credit check, for which the federal government guarantees to 85%. The interest rate amounts to 0.5%. For businesses, bridging loans apply for 20 million to CHF, carried an individual credit check. During periods of stress may no distributions or redirects to shareholders or foreign group companies (Violations will be sanctioned with a fine of up to CHF 100,000, and criminal law are reserved). These bridge loans are civil loan relationships, but from a legal perspective renovation they have no debt character. There are is therefore applied in evaluating whether a corresponding bridging loan

## Liquidity support for companies by the federal government

### COVID bridging loans

The Federal Council by regulation as emergency aid tailored to SME guarantee program of CHF 20 billion by guaranteed COVID bridging loans with a maturity of 5 - 7 years passed. As SMEs within the meaning of these measures economically significantly impaired individual proprietorships, partnerships and legal persons considered by the pandemic, based in Switzerland whose revenues in excess of CHF has not exceeded in the year 2019 500 millions. These companies can be up to 10% of their turnover to get out quickly and efficiently bridge loans (the year 2019) respectively to CHF 500,000 directly from their bank in the next six months, upon request. For these loans, the federal government guarantees the full extent. The interest rate is 0%, but year

In addition, the Federal Council has introduced the following measures in particular in the tax and social security area to protect the liquidity of companies:

### Liquidity cushion in the tax area

Companies have the opportunity to extend the payment deadlines for taxes and duties of the Federation. in practice rather informal - - because the maturity dates of these taxes, however, remain formally made, an application has to the tax authorities necessary to want to pay tax liabilities after the due date provided that company. The form of such a message can vary depending on type of tax.

In addition, the default interest rate for VAT is [\(More information can be found here\)](#) , Customs duties, fuel tax, heavy vehicle tax, beer and alcohol tax, tobacco tax, as well as for the automotive tax in the period from 20 March to 31 December 2020 decreased to 0%. For direct federal tax, the same scheme applies from 1 March to 31 December 2020, provided that the control room in this time is due. When matured earlier direct federal tax assets but the interest on arrears running as usual. The withholding tax and stamp duty are not affected by these reductions.

#### Deferment at the social security contributions

The companies affected by the crisis can apply for a temporary, interest-free deferred payment of contributions to social insurance (AHV / IV / EO / ALV). By September 2020, the compensation fund will make no default interest in installments. Companies have to make also adjust the way, the amount of regular of installments to AHV / IV / EO / ALV if the sum of their wages is significantly decreased. The same is true for self-employed, whose sales have plummeted in the wake of COVID-19 crisis. Also will be exhibiting the compensation funds by end of June 2020 There are no reminders for outstanding contributions.

then the decision a similar effect measure represents the Federal Council may temporarily that employers pay for the employee contributions to occupational pension plans use the geäufneten of them employer contributions.

#### Cantonal measures in the tax area

Due to the current situation takes place for natural and partly for legal entities in many cantons an automatic extension of the annual deadline for submitting the tax return 2019. In addition, some cantons see an extension of time to apply for tariff adjustments in the withholding tax before. In cantons that have so far not adopted any general extension of time, can as usual ordent royal deadline extension request be submitted by the end of March 2020th

Next to the competent tax office an adjustment of the provisional tax bill for cantonal and municipal taxes in 2020 can be applied, it should be expected with a lower income or profit or even with a loss in the current year. There is also for companies that due to the effects of COVID-19 virus final assessed and overdue tax liabilities can not pay to apply for the opportunity to have an extension of the payment period or installment payments. Some of the cantons have already stated accommodating such requests and edit quickly. Some cantons do without temporarily to the imposition of a default interest. If the payment of taxes for the above reasons impossible, as a partial or total remission may be requested by final tax liabilities. Based on past practice, however, only serious and well-founded

Hardship cases considered for a tax abatement.

The measures differ depending on the canton. [You can find a complete overview of the cantonal measures here.](#)

#### Measures in procedural law

Currently holds a law enforcement arrest in nature [\(More information can be found here\)](#) , Also judicial vacations were placed in civil and administrative proceedings until April 19 2020th All other legal deadlines, such as ongoing appeal against tax assessments deadlines will not be interrupted and must therefore be observed.

#### International control measures in COVID-19 crisis

States around the world take short-term protective measures against the economic consequences of COVID-19 virus daily. The efforts include measures to support businesses and their employees. KPMG actively monitors the global response to the ongoing crisis, in particular the tax measures.

[Here](#) For a summary of the latest developments. This overview is regularly updated and expanded to include the latest tax information to provide.

#### Further national measures

Further measures the existing rules be extended to short-time working and **simplifies** [\(More information can be found here\)](#) , **Self-employed with acquisition failures** due to regulatory measures can apply for compensation. Such compensation is paid in certain cases on acquisition failures by employees who need to care for their children. There are also emergency aid and for loss of the cultural sector, additional support for sports organizations and other measures in the tourism sector and in regional policy.

#### Possible tax implications in the consolidated ratio

In a group structure internal measures may be necessary, such as the supply of additional liquidity, or the strengthening of the equity of a Group company. The intercompany loans granted or equity grants can cause tax implications. Also the impact on the financial statements, as well as the **group's transfer prices** ( [More information can be found here](#))

to elicit.

#### Possible implications of cross-border employees ends

Due to changes in entry requirements because of mandated home office, new questions regarding the place of taxation or result in social security charges. The adjustments to the entry requirements should also be considered in terms of business. In addition, the customized rules to be **considered for work permits** [\(More information can be found here\)](#) ,

## We support you

KPMG advises you on the stress of the measures of the Confederation and the cantons as well as in assessing the tax implications, in particular in the following areas:

- Use of bridge loans
- Adjusting payments on account of the current year for tax and social security
- Arrange installment payments for temporary tax liabilities with the tax authorities
- Submission of a payment extension requests for final tax liabilities or submission of tax abatement requests
- Assessment of possible tax consequences due to intercompany measures
- Information and coordination of international aspects and international measures together with our international KPMG network
- Assistance with legal issues, such as when applying for short-time work or in the field of customized entry requirements

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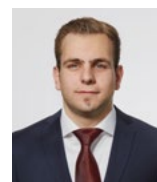
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