



EUMCCI's Cross Country Analysis and Survey Findings:  
Mitigating the Economic Impact during  
Movement Control Order

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## Background:

The European Union-Malaysia Chamber of Commerce and Industry (EUMCCI) represents the voices of 1600+ direct and indirect members representing European and Malaysian business communities operating in Malaysia. The recent Covid 19 outbreak has forced global economies to impose lock downs and strict restrictions. Malaysia too enforce the Movement Control Order (MCO) which only allowed essential businesses to continue operating. Following Feedbacks from the various Chambers in the MITI Covid 19 Task Force Meeting, the Government gave an exemption to non-essential businesses to continue operating at minimum operational level during the MCO subjected to the company's application approval from MITI. However, the MCO and the Covid 19 outbreak has severely affected the operational capacities and businesses of our 1600+ Members. In order to get an in depth understanding of the true impact, the EUMCCI conducted a comprehensive survey among its members to identify the main areas of concern, the crucial implications and the best practices to mitigate the issue at hand.

# Economic Measures in Different Regions

## Asian Region

### 1) South Korea

#### a) COVID 19 Containment Measure

- Internal production of testing kits to rapidly test and contain the virus outbreak
- Passing of New Medical Law - allowing it to prosecute coronavirus-suspected people who don't co-operate to get tested for the nCoV. The amended law also allows the nation to refuse entry to people confirmed or suspected to have contracted the coronavirus disease.
- Covid19 Central Tracking App – Updating public of recent Covid19 cases within 100m radius.

#### b) Economic Measures:

- Reserve 136.7 billion won for local governments to support coronavirus prevention and control
- Emergency financial aid of 50 trillion won (\$39bn) to small businesses and medium-sized companies to prevent them from going bankrupt
- Financial support of up to 12 trillion won (\$9.3bn) for small businesses to enable them to borrow money at 1.5% interest rate from all financial institutions.
- A special loan guarantee programme worth 5.5 trillion won (\$4.3bn) to enable small companies and microbusinesses to refinance loan principal and postpone interest payment.
- Support procurement of masks and COVID-19 test kits through private contracts
- Close cafeterias operated by the government twice a week in order to support restaurant businesses

### 2) Japan

#### a) Economic Measures:

- Government is working on a package measures that will involve direct fiscal spending exceeding 15 trillion yen (US\$137bil) to shore up financial markets and keep businesses from going bankrupt.
- Cash handouts and a cut to raised sales tax
- Interest free loans for small businesses
- Subsidies to freelancers
- the Bank of Japan announced a significant increase in QE on March 16. It said it would be doubling the rate at which it was purchasing ETFs from \$56 billion a year to \$112 billion, and also increased purchases of corporate bonds and commercial paper. In addition it announced a new program of 0% interest loans to increase lending to businesses hurt by the virus.

Note : The final stimulus package “ bold and unprecedented steps” for Japan will be announced and launched in April 2020

### 3) Taiwan

#### a) Economic measures:

- T\$2 billion reserved/ is available to stimulate Taiwan’s economy
- T\$60 billion stimulus package to help soften the impact of the virus on economy.
- T\$40 billion is available from another government funding which includes money from the Employment Stabilisation Fund and the Tourism Development Fund.
- “Preventive measures” will be discussed by the Central Bank on how to react to market volatility – end of March
- Government expenditure earmarked for the purpose of total NT\$100 billion, targeting mainly the worst hit businesses – i.e Airlines , Hotels.
- Funding will be used to provide credit loans to businesses and also to ensure subsidies are available to the workers.

### 4) China (Mainland)

#### a) Economic measures :

- On February 3, 2020, the PBOC expanded reverse repo operations by \$174 billion. This means that the central bank extended the amount of loans to keep money markets (markets for very short term loans) stable and allow banks to have more cash on hand. It added another \$71 billion on February.
- The PBOC also cut the one-year medium-term lending facility rate (the rate at which it lends to banks) by 0.10% on Feb. 16. It followed this up by cutting its one-year and five-year prime rates (the rate at which banks lend to the most credit-worthy corporations) by 0.10% and 0.05%, respectively.
- The PBOC lowered bank reserve requirements on March 13, freeing up about \$79 billion to be lent out.
- China has yet to implement massive fiscal stimulus, as it did in 2008 during the global financial crisis or again in 2015 to fight slowing growth. However, the Chinese government has asked banks to extend the terms of business loans and commercial landlords to reduce rents.

## Europe Region

### 1. Ireland

#### a) Economic Measures:

- Government is raising the COVID Unemployment Payment to €350 a week. This is approximately 75% of average earnings in the sectors most affected, and compares favourably to what is being done in other countries.
- The COVID Illness Benefit will also increase to €350 per week and can be topped up by employers. This will be paid to people self-isolating.
- In order to encourage employers and companies badly affected by the Emergency to keep staff on the payroll, a wage subsidy scheme will be introduced to co-fund 70% of the cost of salaries up to a maximum of €38,000 a year. At a salary of €38,000 the subsidy will equate to €410 a week in take-home pay.
- 'Emergency Measures in the Public Interest COVID Bill'. This legislation, for the duration of the Emergency, will: freeze rents, prevent evictions, make it easier for health care professionals to re-register and return to work, and enable former members of our Defence Forces to rejoin at the rank they left. We need you to serve your country once again.
- Government approved a framework agreement with the private hospitals. They will operate effectively as public hospitals under Section 38 of the Health Act for the duration of the Emergency thus adding over two thousand beds, 9 laboratories, critical care capacity and thousands of staff to our health service.
- Private and public patients will be treated equally and the private hospitals have agreed to do this on a not-for-profit basis.

### 2. The Netherlands

#### Economic Measures:

- Firms with lower profits due to the virus can request a revision to their provisional tax bill.
- The existing guarantee scheme for SME-credit will temporarily be extended starting by the end of March. The coverage share of a credit (with a maximum duration of 1 year) will be increased from 50% to 75%, of which the government guarantees 90%. This applies to bridging loans or overdraft credit.
- An existing working time reduction scheme (werktijdverkortung) is available for businesses that lost 20% of work in 2 weeks' time due to unforeseen circumstances. Covid-19 has been deemed as a relevant unforeseen circumstance. Businesses can use the scheme for a maximum of 4 periods of 6 weeks. Employees will get unemployment benefits for the hours not worked. Roughly 2,000 firms have already applied for the working time reduction scheme.

- The solo self-employed can apply for the existing benefit assistance scheme for the self-employed as provided by municipalities, which delivers financial assistance for viable businesses with temporary financial difficulties, start-ups and elderly self-employed.
- Firms can request postponement for (provisional) tax payments concerning corporate income tax, value added tax and labour income tax. Also, this is existing policy and existing conditions apply, but the tax authority will treat such cases leniently in the current Covid-19 environment. As such, for specific firms, this measure has the potential to have the largest effect on short-term liquidity positions.

### 3. Switzerland

- a. Economic Measures:
  - The government has also announced a CHF32 billion (\$32.6 billion) aid package to help support the economy, in addition to a CHF10 billion package a week earlier. This money is aimed at helping companies survive the economic downturn caused by coronavirus. Various institutes and banks are predicting a recession in 2020, followed by a bounce back in 2021 – if the virus situation is resolved in the coming months.
  - The promised economic package provides CHF20 billion for companies with liquidity problems to obtain transitional bank loans. Companies hit by the crisis will be able to defer payment of social insurance contributions temporarily and without interest. These measures also apply to self-employed persons whose turnover has fallen.
  - There is also money to fund the imposition of short-time work at firms while other tranches have been set aside for hardship loans and to support specific sectors such as event management.
  - Partial unemployment claims have increased sharply due to the coronavirus pandemic and are expected to continue to rise. As of March 24, some 27,000 companies had submitted such a request. That figure represents 400,000 workers, or 8% of all workers, according to SECO.

### 4. United Kingdom

- a. Economic Measures:
  - the Corona virus Business Interruption Loan Scheme: access to government-backed loans of up to £5 million for UK businesses (with an annual turnover of up to £41 million) that are suffering with cash-flow pressures during the crisis period, with no interest due for the first six months, and a guarantee provided by the government of 80 percent on each loan;
  - a 12-month break from business rates for businesses of any size within the retail, leisure and hospitality sectors;
  - cash grants of up to £25,000 for struggling small businesses within those sectors;
  - cash grants of £10,000 for the UK's smallest companies; and

- Support available to all businesses and self-employed people in financial distress, and with outstanding tax liabilities through HMRC's 'Time to pay' service.
- HM Treasury and the Bank of England have also announced the Covid Corporate Financing Facility (CCFF), which will provide financial assistance to companies facing cash flow disruption as a result of the pandemic. Financing will be made available by the Bank of England via the purchase of commercial paper with a maturity of up to one year issued by investment grade non-financial firms making a material contribution to the UK economy. It is intended that the CCFF will operate for an initial period of 12 months.

## 5) GERMANY

### a) Economic Measures

- Government rescue package – range of 750 billion euro (\$814 billion)
  - 156 billion euros in debt, or about 4.5% of GDP to finance higher social spending and a 50 billion euro liquidity fund for self-employed people
  - 600 billion-euro rescue fund
  - 400 billion euro in guarantees
  - 100 billion euros in loans through state run development bank KfW
  - 100 billion euros earmarked for equity stakes in companies

## 6) FRANCE

### a) Economic Measures

- 45 Billion Euro aid package for small businesses and other hard-hit sectors of the economy
- 8.5 billion Euro linked to unemployment benefits
- 2 billion Euro linked to solidarity for the self-employment and shop keepers.

## 7) SPAIN

### a) Covid 19 Measures

- Euro 30 million – will be used to researches trying to develop a coronavirus vaccine

### b) Economic measures

- Euro 220 billion (\$220 billion) stimulus package
- Euro 117 billion will be dedicated to the public sector
- Packages includes a moratorium on mortgage payments, government will stop evictions and guarantee water, electricity and internet to vulnerable households.
- Euro 100 million – will be used to guarantee liquidity for Spanish businesses



## 8) BELGIUM

### a) Economic measures

- Belgian federal authorities announced a series of tax relief measures.
- The tax relief measures concern corporate income tax, individual (personal) income tax, value added tax (VAT), and withholding tax such as:
  - o An additional 2 months for making payments of certain taxes, including corporate income tax and individual income tax for the 2019 year.
    - ii) Late payment penalty relief for tax liabilities arising before 12 march 2020 and additional payment terms.
    - iii) A VAT payment plan (provided it is demonstrated that the payment difficulties are linked to COVID19) that provides relief from imposition of penalties
    - iv) A payment plan for withholding tax, with relief from penalties that otherwise would apply.

## 9) Denmark

### a) Economic Measures:

- State offers to pay 75% of employees' salaries at a maximum of 23,000 Danish crowns (\$3,418) per month, while the companies pay the remaining 25%.

## Americas and Pacific

### 1) Canada

Economic Measures: \$82 billion package split into two main categories: \$27 billion in direct supports and \$55 billion in tax deferrals.

- a) Boosting tax credits
  - For families with kids, the government is boosting the Canada Child Benefit by \$300 per child starting in May, costing nearly \$2 billion.
  - Double the Goods and Services Tax credit, which goes out to households with low or moderate incomes. This will mean an extra \$400 for individuals and \$600 for couples on average.
- b) Emergency Care Benefit
  - \$900 every two weeks to some Canadians for up to 15 weeks starting in April for those who meet the following criteria following checks every two weeks:
    - People who are in isolation or are sick with COVID-19 but do not qualify for employment insurance (EI). This includes the self-employed, such as freelancers.
    - Workers, including self-employed, who are unable to work because they are taking care of someone with COVID-19 – but do not qualify for EI.
    - Parents who need to take care of kids who are at home due to school closures and aren't receiving a paycheck from work. The emergency care benefit still applies if such a parent also qualifies for EI.
- c) Support for Indigenous communities
  - \$305 million to the Indigenous Community Support Fund that will address the "immediate needs" of Inuit, Metis and First Nations communities.
- d) Student loan pause
  - Starting in early April, anyone repaying student loans will get a six-month, interest-free break on the federal portion of their loan
- e) Protecting retirement funds
  - Reduce minimum withdrawal requirements by 25 per cent from registered retirement income funds.
- f) Helping the homeless and Domestic Violence
  - The aid package includes an additional \$157.5 million to homeless shelters. This could help them buy extra beds and barriers so clients can practise better social distancing.
  - The government is therefore providing \$50 million organizations that shelter and support women fleeing domestic violence and sexual assault.
- g) Preventing layoffs

- federal government will subsidize wages at companies hurt by the crisis. The 10 per cent boost – capped at \$1,375 per employee and \$25,000 per employer
- h) Financial support
  - There will also be money available through the Business Credit Availability program – for a total of \$10 billion targeted at small and medium sized businesses.

## 2) New Zealand

- a. Economic Measures:
  - The Covid-19 Response (Taxation and Social Assistance Urgent Measures) Bill will assure economic sustainability in New Zealand through
    - i. businesses can immediately claim tax deductions for low value assets like computers, mobile phones, cameras, microphones, headphones and other equipment required to work from home
    - ii. Restoring building depreciation,
    - iii. increasing the provisional tax threshold from NZD 2,500 (USD 1,460) to NZD 5,000 (USD 2,920),
    - iv. allowing immediate low-value asset write offs,
    - v. bringing forward broader R&D refund ability,
    - vi. allowing use of money interest to be waived,
    - vii. Allowing greater information sharing and allowing more access to the in-work tax credit.

## Summary of Cross Analysis and Survey Results

According to the Survey, of about 100 respondents, 40% of them are MNCs and 43% are SMEs operating in Malaysia. As a whole, at least 70% of these companies are looking at a loss of more than 40 -80% of revenue during the MCO period. About 85% of the Companies were granted approval to operate by MITI with some already experiencing up to 10% financial loss since the implementation of the MCO. As a result 82% of companies are now planning to delay any investment plans for growth and development for the year; these also includes setting regional hubs by various MNCs who participated in the Survey. The majority of companies will not be able to sustain their businesses if the MCO is extended any further with about 50% stating they can only operate for less than 3 months. More than 50% of the companies suggest that a salary distribution incentive from the Government would be the most important mitigating factor that will assist them during the MCO.

Therefore, by taking the examples of the above countries, the Recommendation Paper suggest that ;

- a. A Loan of RM 3 Million for companies of turnover more than RM 20 Million for Services and RM 50 Million for Manufacturing that are suffering with cash-flow pressures with no interest due for the first six months, and a guarantee provided by the government of 80 percent on each loan.
- b. A Covid Corporate Financing Facility (CCFF), which will provide financial assistance in the form of Grants to companies facing cash flow disruption as a result of the pandemic where the Government offers to pay 50% - 70% of employees' salaries at a maximum of RM 8,000 per month, while the companies pay the remaining 30% - 50%.
- c. A COVID Illness Benefit at RM 500 per week and can be topped up by employers. This will be paid to people self-isolating. (COVID 19 positive individuals)
- d. Bantuan Sara Hidup to be expanded to include Freelancers and Employees required to take unpaid leave during the 4 week MCO period.
- e. Freezing EPF contribution by companies and employees for a period of 1-3 Months.
- f. Cash grants of RM 5,000 – RM 25, 000 for struggling SMEs.
- g. A 3 Months Exemption on corporate income tax, value added tax and labour income tax for all Businesses.
- h. Companies, esp. non-essential goods/services providers, should be allowed to consider the 2<sup>nd</sup> phase of Movement Control Order as paid leave. In this context, a salary subsidy as suggested above is recommended.