



**The response of governments
vis-à-vis the economic ramifications of SARS-CoV-2
Updated overview as of April 04, 2020**

Many economic activities have more or less come to a standstill since measures were taken against the spread of SARS-CoV-2. This includes tourism in particular. Governments in various countries have therefore taken measures to cushion the economic costs of this shutdown. This brief report presents and comments some of these measures as well as countries in which they have been implemented or planned.

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The following countries and territories are exemplary included in this assessment:
Australia, Austria, Bulgaria, Canada, Croatia, Bosnia, Serbia, Montenegro, Czech Republic, Finland, France, Germany, Greece, Italy, Japan, Malta, New Zealand, Poland, Serbia, Slovakia, Slovenia, Sweden, Switzerland, United Kingdom, Viet Nam

**Tourism is co-creator and major receiver of pandemic
and its ramifications respectively.**

It should not be forgotten that it is not least the global mobility associated with different forms of tourism that has contributed to the rapid spread of this virus. But it is also the service sector associated with tourism which has been particularly affected by this slump due to the perishability of its services: services once produced but not sold are lost forever: an unsold hotel room is gone, an unsold table in a restaurant as well. And once a trip has not been made, it can only be made up for to a limited extent, as time does not stand still and is not scalable. As the majority of hotels and restaurants, as well as other tourist related companies have been shut down, the economic ramifications in this sector are existentially threatening.

Governments take action in multiple ways (cf. to table 1 at the end of this report).

Many governments have taken various measures in recent weeks to support more or less all sectors of the economy as far as possible and to at least partially mitigate the effects of this standstill. The objective of the public policies are to keep people in jobs/ avoid the worst with regard to layoffs, secure short term liquidity (= ability to pay off its current liabilities with its current assets) and stabilize long term solvency (= ability to pay for long-term debt in the

long run) and by that prevent personal as well as company bankruptcies. Finally, one has to be ready for the restart of business as soon as the pandemic is hopefully over some time.

As the country-specific budgets for different measures are not static but dynamic, we refrain from presenting them in this report.

Many of the measures taken by governments are quite similar.

The most popular ones include:

- Taxes/ fees deferrals and in certain cases also waivers (including tourism charges related ones; “tax holiday”);
- General loan facilitation, either by government or government-backed or backed by special (government backed) banking institutions;
- Deferrals of payments, such as for principals and interest for loans (“credit holiday”)
- Short time work compensation and/ or wage subsidies; here one can also add all pandemic-independent unemployment grants
- Hardship relief, for different settings, sectors, and geographic perimeters.

In addition, one should take note of a number of innovative practices which have come into play.

- Tax credits: Tax credits can be very specific and therefore target very specific and imminent needs. In the present case, they aim at help disadvantaged taxpayers by reducing their total cost and thus secure liquidity (not necessary solvency). As a matter of fact, they can be compared with a negative tax which again acts like a sort of temporary helicopter money.
- Tax incentives for overtime work in sectors with Corona-induced overtimes: Normally in progressive tax schemes overtime is penalized by additional taxes. A tax incentive (break of progression) in sectors, which are particularly prone to corona-induced overtime, helps to ensure especially the health sector and the basic provision of the population.
- Conversion of non-performing/ distressed loans into tax credits: With such a measure, either the debtor is enabled to pay back or the creditor can write-off a distressed loan, based on the tax credit either one of them can get.
- Special economic measures with regard to the gig economy actors and digital start-ups: With these measures, the large gig economy sector of self-employed, often in a digital setting, can be supported.
- Acceleration of depreciation tax deductions: This allows companies less affected by the crisis to support economic stimulus packages with their perhaps earlier than planned investments.

In most countries there are still shortcomings with regard to support for individual or micro-companies affected by the demand shock, which are less well established institutionally (e.g. in the form of an LLC and the associated regulatory framework, including social and health charges but also benefits). This issue has become much more important, as developed economies –fueled by digitization - are transforming from large towards rather smaller entities. The entire gig economy can be counted among them, which, as is well known, includes many tourist lifestyle entrepreneurs.

The measures need reflection.

The world is currently faced not only with the dilemma of balancing a trade-off between human health and economic health, but also with the question of whether the economy will be relieved directly with liquid funds or whether these funds, even if they are granted on very favorable terms, will have to be repaid in the future.

This question is particularly virulent in the service domain of "tourism". On the one hand, the special features of services already mentioned at the beginning (especially perishability) come into play: Revenue not made will not be made in the future. On the other hand, however, it is also central that the earning power as well as the profitability in many tourism service companies is comparatively weak.

Under such conditions, labor market measures such as short-time work or direct support in this regard will certainly dampen the negative impact of the pandemic in the tourism context due to the directly induced cash flow. The same holds true, for example, to grants, tax as well as credit holidays, any payment deferrals (no matter in what domain), and – best – tax credits (which have a similar effect to earmarked helicopter money).

More problematic, however, are the drawings from the various corona-induced additional credit lines, which in most countries are also available to tourism service providers. The maximum debt potential, which is already limited due to the weak profitability, is significantly reduced: on the one hand because of even weaker earnings (now and in the near future), but also because additional operating loans, which are not actually matched by revenues, worsen the balance sheet structure. And since revenues that are not generated cannot be recouped later, it must be assumed that large parts of the tourism sector (and probably many others as well) will come out of this crisis with a serious debt problem.

Against this background, the type of liquidity injection should actually be based on whether or not temporary revenue shortfalls can be recuperated in the future. If so, working capital could be provided in the form of loans; if not, the inflow of funds would have to be based more on grants or tax credits. While the goods producing industry can postpone parts of their income into the future at least due to replacement demand and potential stockpiling, this possibility does not exist in the context of personal services such as tourism. The reason is in particular that an important tourist resource, "time", has only one direction and is not scalable. While liquidity is preserved, solvency is threatened.

Maybe a call for helicopter money is exaggerated. But we should consider ways and processes of future debt relief sooner than later. Otherwise we will not talk "recovery after crises" but about rebuilding large parts of the sector.

Table 1: Measures by governments

Measures by governments	Implemented or under evaluation (examples)
<i>Relieving tax/ charges/ fees burden</i>	
General temporary and partial tax exempts	Serbia, Poland, Viet Nam
Tax credits (for different domains)	Greece, Italy
Tax deferrals (different types)	Austria, Canada, Croatia, Czech Republic, Finland, France, Germany, Greece, Italy, Japan, Malta, New Zealand, Poland, Serbia, Slovakia, Slovenia, Switzerland,
Acceleration of tax returns	France, Greece
Deferrals or waivers of health and/ or social welfare/ security contributions	Croatia, Czech Republic, Finland, France, Greece, Italy, Malta, Poland, Serbia, Slovakia, Switzerland
Waiver or reduction of tourism related taxes, fees, and charges	Australia, Canada, France, United Kingdom, Viet Nam
Tax incentives (exempt) for overtime work	France
<i>Securing or supporting cash-flow</i>	
Deferrals of energy/communication/ utilities charges	France, Poland
Reduction of rental fees or rent subsidies Deferrals of potential evictions	Australia, Greece, Malta
Grants and (tax-free) cashflow support to SMEs	Australia, Canada, Finland, Germany, Japan, Poland, Slovakia, United Kingdom
Acceleration of depreciation tax deductions (-> investment incentive)	Australia
Government loans (very low or no interest)	Czech Republic, Poland, Serbia, Slovakia, United Kingdom
Credit facilitation/ ease (no direct government but other guarantees/ backing)	Germany, Slovenia, Poland, Switzerland
Government backed/ guaranteed loans (very low or no interest)	Austria, Canada, France, Italy, Japan, Malta, Poland, Serbia, Slovakia, Slovenia, Switzerland
Deferrals of payments of loan principals (credit holidays)	Montenegro, Italy, Malta, New Zealand, Poland, Serbia, Slovenia, Switzerland
Conversion of non-performing/ distressed loans into tax credits	Italy
<i>Preventing layoffs/ securing jobs</i>	
Short time work compensation/ wage subsidies/ (part-time) unemployment grants or direct payments to freelancers	Austria, Canada, Czech Republic, France, Germany, Greece, Italy, Japan, Malta, New Zealand, Poland, Serbia, Slovakia, Slovenia, Switzerland, United Kingdom,
Suspension of lay-offs of employees	Italy
<i>Easing hardship and promoting the future</i>	
Special funds for communities under threat	Australia
Economic hardship relief (industry- or company specific)	Australia, Slovenia, Switzerland, United Kingdom,
Special financial measures with regard to the gig economy actors and digital start-ups	France, United Kingdom
Subsidized recreational vouchers for domestic trips with overnights after the crisis	Czech Republic (under evaluation)

