Summary of COVID-19-Related Tax Relief for Employees by Country

The following is for general information only, and is not to be taken as legal advice.

Belgium:

All benefits granted by the employer (whether in cash or in kind) in exchange for professional activities, are, in principle, subject to tax and social security. However, exceptions exist. Please find some of these exceptions below.

1. Cash allowance to set up homework spaces

Employers can grant a temporary home working allowance to their employees as long the "COVID-19 measures" are in force.

A monthly allowance up to 129,48 EUR can be granted free from personal income tax and social security contributions. Every employee working from home can benefit from this allowance, regardless of their position.

Some employers may also want to reimburse additional expenses made by their employees relating to their home office.

For social security purposes, the exempt home working allowance is considered to cover utility expenses such as heating and electricity, small office supplies, etc. Other expenses incurred by the employee such as the use or the purchase of a computer screen, a scanner, use of own mobile phone, etc. can be reimbursed on top of the allowance, free from social security.

From a tax perspective, it is yet unclear as to whether e.g. the purchase of an office chair, monitor, scanner, etc., can be reimbursed tax-free on top of the amount of 129,48 EUR as a cost proper to the employer.

However, important to know is that the professional use of private internet connection or personal computer is not included in the lump sum allowance. To cover these expenses, a lump sum reimbursement of 20 EUR per month per type of expense is accepted as a cost proper to the employer (free from tax and social security).

2. Supplementary unemployment benefits

To soften the loss of income of the employees being confronted with temporary unemployment due to the COVID-19 pandemic, employers may want to pay a supplement on top of the statutory unemployment benefits (i.e. a coverage in accordance with the Belgian social security scheme).

In principle, such supplementary payments are tax deductible on behalf of the company and taxable on behalf of the employees at the normal rates.

Such supplements can, however, be exempt from (employer and employee) social security contributions, if

- the employees do not receive a higher net than when they would have been working; and
- all employees are treated equally (in terms of percentage or via a lump sum).

In view of the reference salary

- only salary subject to social security contributions can be taken into account;
- for employees receiving a variable salary, the average salary of the past months can be taken into account.

3. <u>Exceptional benefits / generosities</u>

Under certain conditions, benefits granted to employees in case of an event not directly related to the professional activity can be exempt from tax and social security. In the past, it has already been accepted that one-time benefits such as a bike, a tablet, a cash amount, etc. on the occasion of e.g. the x-year anniversary of the company or material fire damage to the home of the employee can be granted free from tax and social security to employees.

The question is whether the current COVID-19 pandemic could also qualify as such an event on the occasion of which a benefit could be granted to the employees free from tax and/or social security (not yet confirmed).

<u>Canada:</u>

Under Canadian federal income tax law, financial assistance provided by an employer to an employee is generally included in the employee's income. While there is an exception for direct financial assistance to employees (not shareholders or those with power to control company decisions) who are affected by a disaster, the Covid-19 pandemic has, as of May 6, 2020, not been designated as a disaster for this purpose. Taxable financial assistance could take the form of a reimbursement of employee expenses related to working from home (WFH). However, the CRA has provided some limited administrative relief in this regard, having announced recently that it will not treat as a taxable benefit to the employee the reimbursement of an amount not exceeding CAD 500 of the cost of acquiring personal computer equipment to enable the employee to perform his or her work.

<u>United States:</u>

1. <u>Cash or Cash Equivalents to Help Employees with Personal Disaster Expenses</u>.
Employers may provide direct tax-free assistance, such as cash and gift cards, to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses due to a "qualified disaster" under Section 139 of the US Internal Revenue Code. COVID-19 has been declare to be such a qualified disaster. The payments and assistance provided will not be treated as taxable wages to the employees, and the employer will be able to deduct those payments as ordinary and necessary business expenses. There is no specific cap on the amount of assistance that may be

provided to an employee under Section 139 other than it must be "reasonable and necessary" and must not be for an expense reimbursable by the employee's insurance.

2. Retirement Plans. Legislation (the CARES Act) included a number of relief provisions tied to retirement plans, available to qualifying individuals at the option of the employer. An individual qualifies if: (1) they or a spouse has been diagnosed with COVID-19, (2) they have been financially impacted by quarantine, job loss, or reduced hours due to COVID-19, (3) they are unable to work because of childcare needs caused by COVID-19, or (4) they have experienced other factors determined by the Secretary of the Treasury. The employer can rely on the participant's certification for eligibility.

- Distributions. A plan may allow distributions from plans of up to $100,000 in 2020. These are subject to income tax, but the additional 10% penalty tax on early withdrawals before 59 and ½ is waived. The recipient can repay the COVID-19-related distributions to a qualified retirement plan within a three-year period and avoid paying income taxes on the withdrawal.

- Loans. The usual limits for a loan to a participant from their plan of 50,000USD or 50% of the participant's account balance has been raised to $100,000 or 100% until September 23, 2020. If a participant has an outstanding loan payment due to a plan between March 27, 2020 and the end of the year, they can delay repayment for up to a year.

- Suspension of Required Minimum Distributions. Qualified plans and Individual Retirement Accounts (IRAs) normally must commence distributions after the later of age 70 and ½ or retirement (age 72 for those turning 70 and ½ after 2019). Such required distributions for 2020 are waived for defined contribution plans and IRAs.