Asia:

An Overview of Select Markets' Government Response to COVID-19 and State-Sponsored Relief Programs

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India

With the outbreak of COVID-19 in March 2020 and an exponential rise in the number of cases by the day, the economic impact of the virus has been largely disruptive. However, India has fared better on a comparative scale with International Monetary Fund's 1.9% Gross Domestic Product (GDP) growth projection (for the FY 2020-2021), among the highest for G-20 nations.

In order to absorb the shock of the nationwide lockdown imposed to contain the virus, the government has been instrumental in taking policy measures pertaining to food security, health care, employee welfare, reduced compliance burden, securities market, tax incentives, special finance to DFIs, etc., with the Prime Minister issuing a clarion call to strive towards 'economic self-reliance.'

State governments have also been taking steps at local level to address the impact of the pandemic, especially in relation to employee welfare.

The judiciary has also, on a case-by-case basis, been giving relief to various borrowers and employees and issuing directions to central and state governments to address the impact of the pandemic.

Atma-nirbhar Bharat Abhiyaan (Self-Reliant India Campaign): A comprehensive economic package amounting to approximately INR20 lakh crore (approx. USD265b), which equals almost 10% of India's GDP, was announced, with a focus on the five pillars of self-reliant India: economy, infrastructure, system, vibrant demography, and demand. The package contains a slew of measures including reforms, infrastructure building, support to distressed businesses, and a certain amount of direct cash support. The scheme was unveiled by the Finance Minister in five phases; the key announcements are outlined below:

Phase I:

- INR1.70 lakh crore relief package under Pradhan Mantri Garib Kalyan Yojana (Prime Minister's Welfare Package for the Poor) containing inter alia insurance cover of up to INR50 lakh per health worker, distribution of grains, pulses, and gas cylinders for three months, increase in wages under the National Rural Employment Guarantee Act of 2005 from INR182 a day to INR202 a day;
- Reduction in cash reserve ratio of banks resulting in liquidity enhancement of INR1,37,000 crore.
- Targeted Long Term Repo Operations (TLTRO) of INR1,05,000 crore for fresh deployment in investment grade corporate bonds, commercial papers, non-convertible debentures;
- 3 month moratorium on installments and interest on working capital facilities in respect of all term loans;
- INR20,000 subordinate debt for stressed Micro, Small and Medium Enterprises (MSMEs);
- INR50,000 crore equity infusion through fund of funds;
- Definition of MSME revised with elimination of distinction between manufacturing and service and revised investment limit;
- INR30,000 crore Special Liquidity Scheme for Non-Banking Finance Companies (NBFC)/Housing Finance Companies (HFC)/Micro Finance Institutions (MFI) along with INR 45,000 partial credit guarantee scheme;
- INR90,000 liquidity injection to stressed electricity distribution companies against receivables; and
- COVID-19 to be treated as force majeure resulting in suo moto extension in existing deadline for completion of real estate projects without the need for individual applications.

Phase II

- INR30,000 crore emergency working capital facility for MSMEs;
- Collateral free lending of INR 20 lakh for women self-help groups;
- Constitution of a District Mineral Fund for supplementing and augmenting facilities of medical testing and screening, and Credit Linked Subsidy Scheme extended until March 2021—expected to attract investment to the tune of INR70,000 crore in the housing sector and thereby creating a demand for steel, cement, transport, and other construction materials; and,
- Creation of Compensatory Afforestation Management and Planning Authority and mobilization of funds to the tune of INR6,000 crore.

Phase III

- A special drive to provide concessional credit to PM-KISAN beneficiaries (including farmers and fisherman) through Kisan Credit Cards expected to inject INR 2,00,000 crore to 2.5 crore farmers and an additional INR 30,000 crore emergency working capital being made available to small and marginal farmers through the National Bank for Agriculture and Rural Development;
- Financing facility of INR1,00,000 crore to be provided for funding agricultural infrastructure projects at farm-gate and aggregation points;
- Drafting a legislative framework to promote inter-state trade and e-trading of agriculture produce, and enable farmers to engage with processors, aggregators, large retailers, and exporters in a fair and transparent manner.

Phase IV

- Fast track investment clearance through Empowered Group of Secretaries;
- Ranking of states on investment attractiveness to compete for new investments;
- Promotion of new champion sectors such as solar PV manufacturing, advanced cell battery storage, etc.;
- The upgrading of industrial infrastructure in states with the availability of industrial land/land bank for promoting new investments and making information available on Industrial Information System with Geographic Information System mapping;

India
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- Introduction of commercial mining in coal sector, allocation of 50 coal blocks for auction and infusion of INR50,000 crore towards evacuation infrastructure; foreign direct investment in defense manufacturing under automatic route increased from 49% to 74%. Announcement of intent to allow private participation in space and atomic energy sector;
- Establishment of a research reactor in the Personal Protective Equipment model for production of medical isotopes to provide affordable treatment for cancer and other diseases; and
- INR8,100 crore for viability gap funding in social infrastructure by increasing the quantum from 20% to 30%.

Phase V

- Suspension of fresh initiation of insolvency proceedings up to one year (depending upon the pandemic situation), exclusion of COVID-19 related debt from the definition of default under the extant insolvency laws and minimum threshold to initiate insolvency proceedings raised from INR1 lakh to INR1 crore (aimed at protecting MSMEs);
- Promoting ease of doing business in India including decriminalization of minor technical defaults under the Companies Act of 2013 (such as shortcomings in corporate social responsibility reporting, inadequacies in board report, filing defaults, and delay in holding annual general meetings) along with lower penalties for defaults by small companies, producer companies, one-person companies, and startups;
- Laws to be introduced to allow listing of Indian public companies in permissible foreign jurisdictions;
- Implementation of National Digital Health Blueprint;
- New national curriculum and pedagogical framework for school including electronic content;
- Additionally, the Ministry of Corporate Affairs has permitted companies to hold extraordinary general meetings and annual general meetings through video conferencing and granted relaxations from timelines for filings and certain other compliances;
- In order to curb opportunistic takeovers/acquisitions of Indian companies due to COVID-19, the Central Government has amended the rules governing non-debt foreign investment whereby any investment by an entity which shares a land border with India or the beneficial owner of an investment in India who is situated or is a citizen of any such country shall invest only with approval of the government. The approval would also apply in case of transfer of any existing or future foreign direct investment in an Indian entity, directly or indirectly, resulting in beneficial ownership falling within the restriction or purview of the foregoing;
- Extension in deadline for implementation of stewardship code for alternative investment funds (AIFs) and mutual funds from April 01, 2020 to July 01, 2020;
- Temporary relaxation in compliance with requirements pertaining to AIFs and Venture Capital Funds by 2 months;
- Relaxation in compliance pertaining to portfolio managers by 2 months;
- Temporary relaxation in processing of documents pertaining to Foreign Portfolio Investors by allowing Designated Depository Participants to allow acceptance of scanned copies of documents instead of originals;
- Exempting capital and debt market participants from temporary closure imposed by lockdown;
- Credit Rating Agencies permitted to create differentiation in treatment of defaults if the delay in payment of principal or interest is account of lockdown;
- Reduction in continuing compliances under the takeover regulations;
- Reduction in compliance burden on listed entities and market participants;
- Relaxation in timelines for compliance with regulatory requirements pertaining to reporting of beneficial owner grievance report, reporting of artificial intelligence and machine learning applications, half yearly internal audit report, risk based supervision and systems audit by depositories and depository participant;
- Restriction on fresh fund raising by companies after the buyback period slashed to six months from one year (applicable till December 31, 2020);
- India's central bank, the Reserve Bank of India (RBI) has permitted lending institutions to provide a three month moratorium on payment of all installments in relation to term loans falling due between March 01, 2020 and May 31, 2020. In addition to TLTRO, RBI has also announced INR50,000 special refinance facilities for DFIs. In order to help states with temporary mismatches in cash flow, the RBI, under its credit policy, has increased the current advance limit by 60%;
- The Competition Commission of India recognized the need for businesses (including those involved in critical health care and essential commodities) to coordinate certain activities to ensure continued supply and fair distribution of products;
- Ministry of New and Renewable Energy (MNRE) has clarified that any delay in projects on account of disruption of supply from countries affected by COVD-19 would be treated as force majeure or an Act of God and renewable energy producers would be entitled to claim consequent extension of time.

China

Since January 2020, the central and local governments of the People's Republic of China have promulgated a series of incentive measures to support businesses, in particular SMEs, in combating the financial stresses and difficulties caused by the COVID-19 outbreak.

Financial Assistance Measures:

- A plan by China's central bank to provide commercial banks with CNY300b (USD43b) for lending, at a preferential and subsidized interest rate, to companies that are key to the prevention and control of the COVID-19 outbreak;
- A re-lending and re-discounting scheme by China's central bank that will provide CNY500b (USD71b) of additional funds available for commercial banks to lend to SMEs;
- SMEs and micro enterprises affected by COVID-19 may apply for the deferral of repayment of principal and interest from January 25 to June 30, 2020, and overdue loan repayments during this period will not be subject to penalties;
- Government-controlled financing guarantee and re-guarantee institutions are required to coordinate with other financial institutions to extend loans to SMEs in a prompt manner, and the fees to be charged to SMEs by local government-controlled financing guarantee and re-guarantee institutions for 2020 shall be reduced by 50%;
- Enterprises with good credit are encouraged to issue corporate bonds for liquidity support, and enterprises severely affected by the COVID-19 outbreak may benefit from an accelerated and simplified regulatory review process for bond issuances;
- To ease the liquidity difficulties caused by the COVID-19 outbreak, enterprises are allowed to apply for a temporary increase of their foreign debt quota restriction, which is capped based on their corresponding registered capital amount and/or net asset value.

Preferential Tax Measures:

- From March 1 to the end of 2020, small-scale taxpayers in Hubei (the province hardest hit by COVID-19 in China) are exempt from VAT, and the VAT rate outside of Hubei province is reduced from 3% to 1%;
- Losses incurred in 2020 by enterprises in certain industries severely affected by the COVID-19 outbreak (including transportation, catering, accommodation, and tourism) are permitted to enjoy a longer tax loss carry-forward period—i.e., eight years, instead of the standard five years;
- Certain expenditures, such as investment in equipment to expand production capacity by enterprises engaged in manufacturing key supplies related to COVID-19 protection and containment ("Key Supplies Manufactures"), may be deducted in one lump sum for corporate income tax purposes. Previously, such deduction was allowed only if the expenditure does not exceed CNY5m;
- Key Supplies Manufacturers may apply for a refund of incremental retained VAT on a monthly basis. A VAT exemption also will apply to income derived from transportation of key supplies related to COVID-19 protection and containment, public transportation service, express delivery services, and the so-called "life services" (which include medical services, catering, and personal services, such as hairdressing and laundry).

Social Security Contribution Reliefs:

- From February to June 2020, SMEs and micro enterprises outside Hubei province and all the enterprises in Hubei province are exempted from making employer contributions to the mandatory pension, unemployment, and work-related injury insurance programs (the "Social Insurance Programs");
- Enterprises affected by the COVID-19 outbreak with significant difficulties in production and operation may apply for deferred payment of social insurance fees of up to six months, and no penalty interest will be imposed;
- Enterprises may apply for deferred contribution to the mandatory public housing fund until the end of June 2020. During this period, employees will not be subject to late payment penalties;
- SMEs and micro enterprises are eligible for a refund of unemployment insurance contributions if they limit employee layoffs to a certain extent.

Regional and Industry Supporting Policies:

- In addition to the preferential measures promulgated by the central government, the provincial and municipal governments released a variety of policies, such as fee breaks, fiscal subsidies, rental relief, and additional social security refunds, to support local businesses. The regional governments also introduced a number of industry-specific supporting measures, and some examples are set forth below:
  - SMEs that lease operating property from state-owned enterprises in Shanghai to engage in production and operating activities were exempted from February and March rents;
  - If, by the end of April 2020, the average number of employees in a Beijing SME increased by 20% or more compared with the previous year, such enterprise will be granted a one-time subsidy equal to 50% of three months' social insurance contributions;
  - By the end of June 2020, domestic and foreign airlines companies that do not suspend international flights to or from China may apply for certain cash subsidies;
  - Electricity prices for commercial and industrial consumers, except for energy-intensive sectors such as steel and aluminum, are reduced by 5% for the period from February 1 to June 30, 2020.

Singapore To overcome the challenges faced by Singapore's economy and society brought by COVID-19, the Singapore government has introduced relief measures through three budgets presented between February to April 2020—the "Unity Budget," the "Supplementary Budget," and the "Solidarity Budget."	• Automatic deferral of income tax payments for 3 months—for companies, taxes due from April to June 2020 would become payable from July to September 2020, and self-employed persons would pay income tax from August 2020 instead of May 2020; • Various levels of property tax rebates for different types of properties to property owners, who would be legally required to pass them on to tenants. There will be 100% rebate for qualifying commercial properties, 60% rebate for integrated resorts, and 30% rebate for other non-residential properties; • The Enterprise Financing Scheme – Trade Loan with a maximum loan size of SGD10m, the Enterprise Financing Scheme – SME Working Capital Loan with a maximum loan size of SGD1m, and the Temporary Bridge Loan Program covering all sectors with a maximum loan size of SGD5m, each with the Government sharing in 90% of the default risk, will be provided for all loans initiated from April 8, 2020 to March 31, 2021. In addition, SMEs may opt to defer principal payment on their secured term loans, and banks and finance companies may apply for low-cost funding through a new Singapore Dollar facility operated by the Monetary Authority of Singapore under the Enterprise Financing Scheme – SME Working Capital Loan and Temporary Bridging Loan Program, provided that such banks and finance companies undertake to pass on savings to the borrowers; • To allow employers to retain their workers, the Singapore government introduced the Jobs Support Scheme under which it will co-fund the first SGD4,600 of gross monthly wages paid to each local employee for 9 months from February 2020, with payouts in April, July, and October 2020. For the month of April 2020, the government paid 75% on the first SGD4,600 for every local employee. From May 2020 onwards, the government will continue to provide wage support to different sectors, which are 75% for the aviation, accommodation and tourism sectors, 50% for the food services sector, and 25% for all other sectors; • Foreign worker levies for the month of April 2020 were waived in order to reduce costs and ease cash flow, and rebates of SGD750 for each Work Permit or S-Pass Holder from levies paid in 2020 will be granted to employers; • A Temporary Relief Fund for the month of April 2020 allowing those who required immediate assistance to apply for a one-off cash grant of SGD500, and a COVID-19 Support Grant for lower- and middle-income Singaporeans who require urgent help with basic living expenses to apply for cash grants of SGD800 a month for three months from May 1, 2020 onwards; • A one-off solidarity payment of SGD600 was paid to all Singaporeans aged 21 and above in April 2020. The remaining cash payouts under the Enhanced Care and Support scheme will be made from June 2020 onwards, together with the SGD300 payment for each parent with at least one Singaporean child aged 20 and below in 2020, and SGD100 cash for Singaporeans aged 50 and above in 2020; and • No increase in government fees and charges for one year from April 1, 2020 to March 31, 2021.